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STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

CALIF. ENERGY COMMISSION
APR 12 1983
SECRETARY'S OFFICE

BUSINESS MEETING

1516 NINTH STREET
FIRST FLOOR HEARING ROOM
SACRAMENTO, CALIFORNIA

WEDNESDAY, APRIL 6, 1983

10:00 O'CLOCK a.m.

Reported by: Pat Petrilla

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COMMISSIONERS PRESENT

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Charles R. Imbrecht, Chairman
Arturo Gandara, Vice-Chairman
Karen K. Edson, Commissioner
Geoffrey D. Commons, Commissioner

STAFF PRESENT

John Geesman, Executive Director
Bill Chamberlain
Jonathan Blee
Gregg Wheatland
Bart Gauger
Val Hall
Karen Mathies, Secretary

EX OFFICIO

Bill Foley, PUC
Gordon F. Snow, Resource Secretary

PUBLIC ADVISER'S OFFICE

Ernesto Perez

ALSO APPEARING

Michael P. Mannion, Department of Housing and Community
Development
Dina Hunter, Southern California Edison
Alex Sanchez, City of Santa Ana
George Anastas, San Diego Gas and Electric Company
Pat Fleming, San Diego Gas and Electric Company

1 ALSO APPEARING (Continued):

2 Jeff Straman, San Diego Gas and Electric Company

3 Bob Raymer, California BIA

4 Eugene Leong, ABAG

5 Phil Vermeulen, California Association of Sheetmetal and
6 Air Conditioning Contractors

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1 CHAIRMAN IMBRECHT: Call the meeting to order.

2 Good morning. Before I begin the day's agenda
3 I'd like to introduce Dr. Gordon Snow, who is Secretary
4 Van Vleck's designee to sit with us here on the
5 Commission.
6

7
8 Dr. Snow, we welcome you, and he recently came
9 from the Council on Environmental Quality, I believe is --

10 DR. SNOW: That's correct.

11 CHAIRMAN IMBRECHT: -- your previous professional
12 responsibility in Washington, D.C., and we welcome you.

13 The first item on the agenda is -- I will also,
14 excuse me, note the presence of a quorum, with the excep-
15 tion of Commissioner Schweickart.

16 The first item on the agenda is Consideration
17 and Possible Adoption of Committee Recommendations on the
18 Award of Federal Solar Energy and Energy Conservation Bank
19 Funds.

20 Who would like to make the presentation?

21 COMMISSIONER EDSON: Let me -- let me make the
22 presentation on this.

23 CHAIRMAN IMBRECHT: Commissioner Edson.

24 COMMISSIONER EDSON: The -- last fall the U.S.
25 Department of Housing and Urban Development notified states

1 of the availability of money from the Solar Energy and
2 Conservation Bank.

3 The -- on November 15th of last year the Energy
4 Commission submitted a proposal to HUD for implementation
5 of that program. We asked for \$8.7 million on behalf of
6 16 individual projects which were submitted by local
7 governments, utilities, state agencies, and learned on
8 January 21st that the Governor was notified by the bank
9 that California had been awarded \$1.265 million.

10 Now, that money was allowed to be spent under
11 HUD criteria on all or part of 11 proposals that were
12 deemed eligible, so five programs were eliminated at the
13 federal level.

14 The Loan Committee, which at that time consisted
15 of myself and Commissioner Commons, reviewed those pro-
16 posals. The staff proceeded to solicit additional infor-
17 mation from the applicants, and we ranked the proposals
18 using a formula that considered the payback, the extent to
19 which bank funds were leveraged, innovation with the
20 proposal, and the speed of implementation.

21 If you look at Table 4 of the package you'll see
22 how the proposals were ranked and what the recommendation
23 for funding is.

24 The -- I guess the best way to describe it is
25 that we ended up, when we ranked all the proposals and

1 applied a 15 percent cap on the maximum amount of money
2 that any single project could receive, having allocated all
3 but \$20,000 when we came to the last project on the list
4 of 11 proposals.

5 That last project was proposed by the Department
6 of Housing and Community Development. They had asked for
7 \$266,000. Because the amount of money remaining was small
8 and because their project had a relatively long payback,
9 the Committee originally recommended allocating that remain-
10 ing \$20,000 among the two projects which had received
11 reduced funding because of the 15 percent cap that was
12 proposed.

13 Those projects were by Santa Ana and Southern
14 California Edison Company.

15 At this point I would like to amend the recommen-
16 dation slightly. The Committee wrote to the Department
17 of Housing and Community Development and explained why
18 they were not recommended for funding, and yesterday
19 received a letter back from the Department. The Department
20 had scaled its proposal from \$266,000 to \$40,000, and was
21 proposing to restrict the measures to the higher payback
22 measures.

23 Since then I have had conversations with the
24 Department about their willingness to accept the \$20,000
25 which was left over after the original Committee ranking

1 and have that money targeted to the residential hotel
2 sector where -- which supplies low-income housing in many
3 of the state's urban areas.

4 The Department is receptive to that alternative,
5 so what I would like to propose as the Committee's recom-
6 mendation is Table 4 amended to reduce the Santa Ana and
7 Southern California Edison proposals by \$10,300 apiece,
8 which then provides \$20,600 to the Department of Housing
9 and Community Development.

10 With that, let me just ask if the Committee has
11 questions about the specific projects. I think the staff
12 is here, and is prepared to describe the projects and
13 answer any questions the Commission might have.

14 CHAIRMAN IMBRECHT: The only question I have is
15 with respect to that last one. What can HCD do for \$20,000
16 that would be useful?

17 COMMISSIONER EDSON: Let me invite HCD to come
18 forward and, as they come forward, I'll explain at least
19 my own interest.

20 They came back proposing that \$40,000 would be
21 used to reach the multi-family sector, and half of those
22 units that they provided retrofit for would be residential
23 hotel units. With this \$20,000, it's simply a scale-back
24 of the \$40,000 proposal to target solely to residential
25 hotels.

1 Perhaps you could explain how many units you think
2 could be served with that amount of money.

3 MR. MANNION: Well, at the present time the
4 Department has received proposals. We sent out an RFP.
5 The proposals from 16 different localities came in, with
6 a total of \$200,000 available for the rehabilitation of
7 single-resident-occupancy hotels.

8 What we would propose to do is, those proposals
9 were received on the 31st of March, and they're in the
10 process of being reviewed and evaluated by Department staff
11 now. We would use that \$20,000, along with other funds,
12 that -- that twenty -- \$200,000 would leverage in local
13 matches to purchase and install energy conservation measures
14 in those residential hotels.

15 COMMISSIONER EDSON: One of the reasons I'm quite
16 interested in doing this is to really establish a pilot
17 for funneling some of this energy conservation money into
18 the multi-family rental sector.

19 As you might recall from our discussion of the
20 overcharge allocation of funds, we had difficulty finding
21 existing mechanisms where that sector is actually reached
22 with energy conservation programs.

23 If we can establish this kind of mechanism with
24 this very small amount of seed money, it may mean that in
25 future overcharge rounds, or perhaps even in the overcharge

1 deliberations that are going on now in the Legislature,
2 this will provide some experience that can justify addi-
3 tional conservation money being targeted to that area of
4 need.

5 CHAIRMAN IMBRECHT: Further questions?

6 Yes. Commissioner Commons.

7 COMMISSIONER COMMONS: Would the amendment,
8 Commissioner Edson, include that it would be a revision on
9 their program to eliminate the items that had a very high
10 payback on the residential hotels?

11 COMMISSIONER EDSON: In fact, I think the letter
12 from HCD already indicated they intended to do that. What
13 I would suggest is that the Department submit a revised
14 proposal for allocation of these monies and work out the
15 details in consultation with the Energy Commission staff.

16 COMMISSIONER COMMONS: All right. I would -- the
17 -- so the amendment would be that that proposal would be
18 submitted and would be acceptable to the reconstituted
19 committee?

20 COMMISSIONER EDSON: Yes.

21 CHAIRMAN IMBRECHT: Okay. Is there anyone that
22 wishes to testify on this matter?

23 I think I have first Dina Hunter from Southern
24 California Edison.

25 MS. HUNTER: I'd like to thank you for this

1 opportunity to speak on this subject.

2 With the new proposal that I was not aware of
3 from HCD, and reducing the proposed award for Edison from
4 the two hundred thousand sixty to perhaps 190,000, would
5 that also accompany a reduction -- or could that also
6 accompany a reduction in the numbers of incentives we
7 would -- our target population, numbers that we would tar-
8 get?

9 COMMISSIONER EDSON: Yes. I think it would be
10 only right to assume that those projects would be scaled
11 back to reflect the reduced funding.

12 MS. HUNTER: Okay. The second question is, the
13 time frame for implementation, if indeed monies are not
14 expended in other areas with the other projects, will
15 there be an attempt to redirect some of this money in order
16 to spend it by the end of a certain year?

17 COMMISSIONER EDSON: One of the -- I am confident
18 that these projects are all ones that can be implemented
19 on a very -- in a relatively short period of time. That
20 was one of the criteria we used to rank proposals. We
21 haven't discussed the possibility of doing that, and I
22 frankly would be surprised if there was a need.

23 Does staff have any comment on that question?

24 MR. BLEES: No.

25 MS. HUNTER: Thirdly, we would be willing to work

1 with HCD and perhaps -- we have incentives that we can
2 offer to multi-family dwelling units. If they are amenable,
3 we would be willing to work with them in providing these
4 incentives that we provide all other customers. Perhaps
5 an exchange of some of the funding level that was allocated
6 to them in order to maintain our 600-home target. I'm not
7 sure that they're amenable to that, but perhaps if they
8 wish we could talk about it.

9 COMMISSIONER EDSON: Well, I --

10 MS. HUNTER: In other words, we have incentives
11 that we will be giving multi-family dwelling units per
12 unit to install conservation measures, and it's conceivable
13 that it -- I don't know where they're going to be working
14 their project -- that we may be able to work out a coopera-
15 tive so that we can maintain our funding level in terms of
16 incentives and just assist them with providing incentives.

17 COMMISSIONER EDSON: Let me make a slightly
18 different suggestion, and that is that we allow HCD to
19 target this \$20,000 to the residential hotel sector and
20 that we reduce the Southern California Edison funding back
21 to the 15 percent cap that was imposed on the Santa Ana
22 project as well, but that -- that the utility work with
23 HCD to see if, with the remaining units that you can serve,
24 whether there are existing mechanisms within the
25 Department of Housing and Community Development which would

1 be useful.

2 MS. HUNTER: Okay. Can you run that by me again?

3 COMMISSIONER EDSON: I'm suggesting that Edison
4 still be reduced by \$10,300.

5 MS. HUNTER: Okay. That's all I have to say.
6 If you have any questions on our particular project, I'd
7 be willing to address them.

8 COMMISSIONER GANDARA: Does anybody have any ques-
9 tions?

10 Thank you very much, Ms. Hunter.

11 MS. HUNTER: Thank you.

12 COMMISSIONER GANDARA: Mr. Sanchez from Santa Ana.

13 MR. SANCHEZ: Good morning. We're willing to
14 work with the Commission on a 15 percent cap and don't have
15 any major problems with the \$10,000 reduction.

16 COMMISSIONER EDSON: Thank you.

17 COMMISSIONER GANDARA: Thank you very much,
18 Mr. Sanchez.

19 COMMISSIONER COMMONS: Congratulations on a very
20 fine proposal.

21 MR. SANCHEZ: Thank you.

22 COMMISSIONER GANDARA: Are there -- is there
23 anybody else who wishes to speak to this item?

24 Any other questions of the Commissioners?

25 COMMISSIONER EDSON: I'd like to move the

1 Committee's recommendations as changed today.

2 COMMISSIONER GANDARA: Commissioner Commons
3 seconded that.

4 Would you call the roll, please?

5 SECRETARY MATHIES: Commissioner Commons?

6 COMMISSIONER COMMONS: Aye.

7 SECRETARY MATHIES: Commissioner Edison?

8 COMMISSIONER EDSON: Aye.

9 SECRETARY MATHIES: Commissioner Schweickart?
10 Commissioner Gandara?

11 COMMISSIONER GANDARA: Aye.

12 SECRETARY MATHIES: Chairman Imbrecht?

13 COMMISSIONER GANDARA: Let's move on to Item 2.

14 Let me introduce this item. Consistent with
15 some previous concerns raised by some interested parties,
16 we -- the Commission had decided that before filing a
17 petition for a waiver for many of the DOE no-standard stan-
18 dards, that there would be a hearing on this item. Con-
19 sequently, this item is before the Commission.

20 On the other hand, also, consistent with the
21 Commission's wishes as of the last executive session and
22 the last business meeting, the item has been calendared
23 to receive comment from any interested member of the
24 public or any Commissioner discussion.

25 At the same time, we have also noticed an

1 Executive Session, because the Commission expressed a
2 desire that on petitions where there was a related litiga-
3 tion activity ongoing that there might also be a desire to
4 discuss the interaction consequences of one action upon the
5 other.

6 So, insofar as -- as I'm concerned, I would take
7 the lead or the desires of the Commission as to whether to
8 take a vote on the item and further discussion regard-
9 ing litigation at the Executive Session, but for now it's
10 -- we're here basically to have a presentation by Mr. Blees
11 on the petition and to receive any comments from any mem-
12 bers of the public.

13 Mr. Blees, would you please give the Commission
14 a brief summary of the petition, and as of right now I have
15 no indications of anybody who wishes to speak to this item.

16 Mr. Blees.

17 MR. BLEES: Thank you. Am I on? Thanks.

18 My name is Jonathan Blees, and I'm an attorney
19 at the Energy Commission. Also here today are Scott
20 Matthews and several other members of the Conservation
21 Division staff who worked on the petition.

22 We're asking the Commission today to approve the
23 petition which seeks a waiver from federal preemption of
24 California's requirement that all new stoves sold within
25 the state contain intermittent ignition devices in place

1 of pilot lights.

2 The Commission has received a letter in support
3 of the petition from the Pacific Gas and Electric Company,
4 and I have also been informed that the petition is supported
5 by the Natural Resources Defense Council.

6 Briefly, federal law requires the United States
7 Department of Energy to establish minimum efficiency stan-
8 dards for the major household appliances. DOE may, however,
9 decline to establish a federal standard if it finds that
10 a federal standard would not save a significant amount of
11 energy or it would not be economically justified. Either
12 decision by DOE, a real efficiency standard or a so-called
13 no-standard standard, preempts state laws relating --
14 state efficiency laws relating to the particular appliance.

15 States may, however, seek a waiver from federal
16 preemption. In order to get a waiver, a state must demon-
17 strate to DOE that it has a significant interest in main-
18 taining its own standards.

19 Furthermore, DOE is prohibited from granting a
20 waiver if it finds that the state regulation would unduly
21 burden interstate commerce.

22 Last December, DOE issued its first final regula-
23 tions on appliance efficiency, and it established a no-
24 standard standard for both stoves and clothes dryers.
25 California has -- currently has regulations implementing

1 a statute that was passed in 1974 which prohibits continu-
2 ously burning pilot lights on both of those appliances.

3 The petition before you seeks a waiver from DOE
4 for the IID standards in California for stoves only, and
5 the cover memo in the March 25th package that was distri-
6 buted to you a couple of weeks ago explains why, in the
7 staff's view, it's not necessary to seek a waiver for the
8 IID requirements for -- for clothes dryers.

9 Basically, it's impossible these days to buy a
10 clothes dryer without an IID anywhere in the United States,
11 so it appears that it's unnecessary to continue the
12 California standards in order to achieve the savings that
13 IID's in clothes dryers produce.

14 The petition then contains two basic parts.
15 First, it discusses California's significant state interest
16 in maintaining its IID standards for stoves. The main
17 interests are the energy savings and the dollar savings
18 that IID's in stoves produce.

19 In summary, an IID on an average stove will save
20 a typical consumer about 15 to 18 dollars a year on gas
21 bills. Over the lifetime of an average stove, that will
22 come out to over \$400.

23 Statewide, the savings, again over the lifetime
24 of an average stove, are almost two billion therms, which
25 is the equivalent of around 30 million barrels of oil and

1 represents a dollar savings to the state of almost
2 \$2 billion.

3 The last line on -- on the viewgraph gives the
4 added first cost to the consumer of the stove with an IID.
5 It's about 30 to 40 dollars, which means that consumers
6 are having their investment paid back in IID's in about
7 two to three years.

8 By the end of -- of the century, the savings from
9 this standard alone, from IID's on stoves, will total
10 around three percent of the total residential gas demand
11 in the state.

12 The petition also summarizes air quality benefits
13 that IID's on stoves produce, and then contains a discus-
14 sion of the extent to which the standards, as opposed to
15 market forces alone, are responsible for these savings.

16 The petition acknowledges that market forces are
17 probably responsible for some of the savings. However,
18 the petition points out that the marketplace is not working
19 well to -- that consumers are not responding in -- to ris-
20 ing energy prices by producing the most cost-effective,
21 energy-efficient appliances for them, and the market failure
22 is particularly evident in the rental sector and in the new
23 construction sector where most appliances are purchased by
24 people who are not responsible for ultimately paying the
25 utility bills.

1 COMMISSIONER EDSON: Mr. Blees, do you estimate
2 the percentage of the purchases that are due to market
3 forces, as opposed to the savings?

4 MR. BLEES: Yes. We concluded that the -- an
5 upper bound would be that market forces might be responsible
6 for as much as two-thirds of the savings discussed in the
7 petition. We arrived at that figure basically by looking
8 at the percentage of stove sales, with and without IID's,
9 nationwide and in states that do not have IID standards.

10 COMMISSIONER EDSON: Thank you.

11 MR. BLEES: The petition also points out that,
12 even assuming that the marketplace does account for a
13 significant portion of these savings, that the standards
14 provide a very important insurance policy type benefit and
15 a planning certainty benefit. That is, the operation of
16 -- of the marketplace, while real, is substantially uncer-
17 tain, and the standards have the substantial benefit of
18 removing a great deal of -- of that uncertainty.

19 The second major area addressed by the petition
20 is a discussion of interstate commerce issues. In using
21 the criteria that are often applied by the courts in deter-
22 mining whether or not the state statutes violate the inter-
23 state -- violate the commerce clause, the petition con-
24 cludes that there is no burden -- will be no undue burden
25 on interstate commerce from the California IID standard.

1 In particular, the petition points out that --
2 that the existence of the IID standard has not harmed manu-
3 facturers. Certainly no stove manufacturer has gone out
4 of business, and we have not heard of any significant
5 decline in sales as a result of the standard, and the stan-
6 dards appear not to have favored California manufacturers
7 over manufacturers in the rest of the country, nor have
8 they put any special burden on California manufacturers.

9 The second viewgraph shows the number of manu-
10 facturers of stoves and of IID's themselves in California
11 and in the rest of the country. This chart is also on --
12 it's the second-to-the-last page of the entire petition on
13 page B-9.

14 Basically what it shows is the trend in the number
15 of California manufacturers of both stoves and IID's has
16 very closely followed the nationwide trends.

17 In summary, then, the petition points out and
18 concludes that the -- that California's IID standard for
19 stoves is and will continue to produce important benefits
20 for all the citizens of the state, without putting any
21 undue burden on the appliance industry.

22 The staff, therefore, asks you to approve the
23 filing of the petition with DOE, and the participation in
24 the General Counsel's Office in DOE proceedings on the
25 petition, under the supervision of the Appliance Standards

1 Committee, and we ask you to do this by approving the
2 resolution that appears on the second page of the March 25th
3 package before you.

4 I'd be happy to answer any questions that you have
5 and staff is also available to answer questions.

6 CHAIRMAN IMBRECHT: Thank you.

7 MR. BLEES: Thank you.

8 CHAIRMAN IMBRECHT: Are there any questions from
9 the Commission?

10 COMMISSIONER GANDARA: No questions. Just one
11 comment. Perhaps Mr. Blees did cover it and I didn't hear
12 it, but I just wanted to point out for the Commission's
13 attention Footnote 7 on page 11, that with respect to the
14 IID requirements, these are not set by regulation. This
15 is set by legislative statute, and so that is one of the
16 elements of the significant state interest, that it is
17 the Legislature that prohibited the continuous-burning
18 pilot light, and that we are in fact just required to
19 receive certification and enforce it two years after IID's
20 are certified.

21 CHAIRMAN IMBRECHT: Fine. Thank you, Commissioner
22 Gandara.

23 Is there anyone in the audience that wishes to
24 offer testimony on this issue?

25 Hearing none, we could consider this an Executive

1 Session, since it is a matter of litigation, but unless
2 there are any Commissioners that feel the need for that,
3 I would propose we take action.

4 COMMISSIONER GANDARA: That's fine.

5 CHAIRMAN IMBRECHT: Fine. Is there objection to
6 approving the petition?

7 Hearing none, that will be the order.

8 MR. BLEES: Thank you.

9 CHAIRMAN IMBRECHT: Yes.

10 The third item is Commission consideration and
11 possible adoption of a Resolution to participate in the
12 San Diego Gas and Electric general rate case on the issue
13 of the rate treatment of the Blythe site.

14 John, do we have a staff presentation?

15 EXECUTIVE DIRECTOR GEESMAN: I believe San Diego
16 wanted to make a presentation to you. We can respond to
17 that presentation if you would like.

18 CHAIRMAN IMBRECHT: All right. Fine.

19 Sir, would you please come forward and --

20 MR. ANASTAS: Good morning. My name is George
21 Anastas, and we're attempting to round up Pat Fleming right
22 now. I'm with San Diego Gas and Electric, and I'm in charge
23 of their R&D programs at SDG&E, and here's Ms. Fleming now.

24 MS. FLEMING: Good morning, Commissioners.

25 CHAIRMAN IMBRECHT: Good morning.

1 MS. FLEMING: What I believe you have before you
2 today is an issue of flexibility and assurance in future
3 utility planning. That is, can the utility make plans
4 long-range to assure certainty of planning that an option
5 is out there for the future benefit of our utility cus-
6 tomers.

7 It is an option that, if it should be lost, we
8 will find that it will be a loss of benefit to the customer.
9 If we lose this site that we are about to present to you
10 today, we will find that it will be more costly to our
11 ratepayers in the long run.

12 I've been running. Excuse me.

13 As a result, I have before you today to give you
14 a presentation Mr. George Anastas, who is our supervisor
15 and in charge of our research and development, and as such
16 has directed a study called the Bechtel Study on future
17 development of the site.

18 I also have with you, after Mr. Anastas's presen-
19 tation, Mr. Jeff Straman, who is our senior economist in
20 the company and has done an economic analysis of the cost
21 benefits to our ratepayers on the Blythe site.

22 So with that, I will ask Mr. Anastas to give you
23 a presentation on our Bechtel Study.

24 COMMISSIONER GANDARA: Ms. Fleming, will you be
25 making that a part of the record? Will you be submitting

1 that?

2 MS. FLEMING: The Bechtel Study?

3 COMMISSIONER GANDARA: Yes. And all --

4 MS. FLEMING: Yes, we can do that.

5 COMMISSIONER GANDARA: Okay.

6 MS. FLEMING: And we also have a summary of that
7 and a summary of the economic analysis.

8 MR. ANASTAS: If it pleases the Commission, I
9 would like to speak from the viewgraph and talk in a
10 rather informal manner. My discussion should last about
11 ten minutes, and if you wish to interrupt while I'm doing
12 it and ask questions for clarification, please feel free.

13 MR. WHEATLAND: Excuse me. Will the reporter be
14 able to pick that up?

15 THE REPORTER: Yes, if you could move that end
16 mike out just a little bit.

17 MR. ANASTAS: To provide a general orientation
18 to the Blythe site, it is in southeastern California, just
19 north of the Riverside County/Imperial County line, about
20 seven or eight miles west of the Colorado River.

21 A more detailed map shows extensive farming
22 operations immediately east of the site, the site being
23 located here. SDG&E owns 6500 acres on the mesa which
24 serves as the site for the power plant, as well as approxi-
25 mately 9,000 acres of farmland in the Valley that provides

1 a portion of the water rights for the site.

2 A further delineation of the site, the 6500 acres,
3 a site for evaporation basin, proposed water pipeline to
4 the Palo Verde outfall drain, and the Colorado River off
5 in this direction.

6 The site has many attributes, one of which is
7 that it has available to it 33,000 acre-feet of agricul-
8 tural waste water for power plant cooling.

9 The acquisition activities that took place in the
10 1970s took over six years and worked out a complicated
11 beneficial water rights arrangement whereby fresh water
12 would not be used for power plant cooling, where fresh water
13 would be left in the river, thus resulting in a reduction
14 in salinity in the Colorado River. That was one of the
15 hallmarks of this site.

16 COMMISSIONER GANDARA: Excuse me, Mr. Anastas.
17 How long are those contracts valid for? There are options
18 right now, and how long are they valid?

19 MR. ANASTAS: The contracts are in two portions.
20 The first portion is with MWD whereby we would receive
21 17,000 acre-feet of fresh water and leave that in the river.
22 That contract was recently, several years ago amended,
23 which provides for the year 2000 where we would have to
24 start using our water allocation from that -- from that
25 source.

1 The second source, approximately 16,000 acre-
2 feet, would come from our agricultural lands in the
3 Imperial Valley, and there -- I'm sorry, in the Palo Verde
4 Valley, and there is no time restriction on that. The water
5 used for power plant cooling would come from the agricul-
6 tural waste water drain, so in effect the use of that
7 water would be essentially desalting a portion of the
8 Colorado River.

9 CHAIRMAN IMBRECHT: Okay. Please continue.

10 MR. ANASTAS: Another recent attribute of the
11 site is that in the last two years the Bureau of Land
12 Management approved a number of energy production and
13 utility corridors, and the Blythe site is contiguous with
14 two major corridors, one running east and west which follows
15 the 500-kv transmission line right-of-way from Palo Verde
16 into Deavers, and the other coming from the north down
17 toward the coast.

18 As I understand what the Bureau of Land Management
19 did, they preapproved a five-mile-wide corridor. Thus, the
20 site has attributes of not only existing transmission,
21 but future corridors for pipelines or transmission lines.
22 All these things have added to the attributes associated
23 with the site.

24 This next viewgraph -- and I hope you can pick
25 me up, Reporter, can you? -- does not show the work that

1 began on this site in the early 1970s, the five to six
2 years to find the site and go through the site screening,
3 the acquisition of the water supply, all the environmental
4 studies, hearings before the California Public Utilities
5 Commission, in compliance with CEQA, and, of course, before
6 this Commission, but this viewgraph begins in 1978, and it
7 indicates that after the nuclear facility was cancelled
8 the company proceeded in a diligent manner to develop a
9 plan for the ultimate use of this site.

10 We completed the need for review in October of
11 1978. The site has a final environmental statement which
12 has been approved by the Federal Government, the Department
13 of Interior.

14 We amended the water supply agreement. We provided
15 several proposals to the Department of Energy for synfuel
16 facility studies.

17 We also have been continuously working with ARCO
18 Solar and other people on a Photovoltaic facility to be
19 located there.

20 In November of 1982, we worked up a -- what we
21 call a strategic plan for that site. That site always was
22 viewed as a regional power plant site to serve the needs
23 of not only San Diego Gas & Electric, but California, and
24 perhaps the Southwest as well.

25 In early 1982, we initiated a Bechtel technology

1 screening study, and we have completed that, and I will
2 spend a few minutes a little later talking about that.

3 What Bechtel did was evaluate 20 generating
4 technologies for us and recommended to us which ones should
5 be pursued further before a decision is made.

6 We hope to complete these studies in 1984. We
7 have been working with approximately 17 utilities in the
8 Southwest, including the Western Area Power Administration,
9 looking at the utilities' needs in the '90s. We have met
10 with them a number of times. We hope to establish a study
11 group made up of utilities in the very near future and
12 work toward utility sponsorship and the identification of
13 a lead utility to develop the site such that generation
14 to meet the region's needs would be available in the mid-
15 90s in order to meet increasing demands, as well as replace-
16 ment of old, older, inefficient oil and gas-fired units.

17 We have been working very, very hard since '78
18 in this specific plan, such that this resource option
19 would be available to California and the Southwest in the
20 time that we feel such an option will be required.

21 COMMISSIONER EDSON: Are you suggesting that this
22 power will be for export to other states?

23 MR. ANASTAS: In meetings with the other states,
24 the utilities have indicated a pleasure at California
25 willing to reciprocate and provide a site that could

1 partially meet non-California needs. They were very, very
2 pleased at that, and that is one of the concepts of the
3 Blythe site.

4 My earlier maps, Commissioner, indicate that the
5 site is close to the Arizona-California border, as well as
6 having the potential for north-south transmission, so it's
7 ideally situated.

8 COMMISSIONER EDSON: So the answer is yes.

9 MR. ANASTAS: Yes, ma'am.

10 COMMISSIONER EDSON: What portion of the power
11 produced there would you anticipate selling out of state,
12 versus using it in California?

13 MR. ANASTAS: At this point in time, I -- I really
14 can't say.

15 Two points I should make. SDG&E will not be a
16 lead utility, number one. At this point in time we do not
17 plan to contribute anything more than the value of the site,
18 the permits and the studies we've done.

19 COMMISSIONER GANDARA: You raised an interesting
20 point, because most of the BR-4 analysis indicates a sub-
21 stantial over-capacity for both the capacity and energy in
22 the Southwest, so why is it other states would be purchas-
23 ing?

24 MR. ANASTAS: As I understand the power surplus
25 problem, the over-capacity at this point in time,

1 Commissioner, it's that for the foreseeable future, the
2 next five, seven, eight, nine years, there appears to be
3 an over-capacity situation, which is subject to, you know,
4 demand and the economy, and everything else.

5 In the mid-90s, the planning horizon that we're
6 looking at, oil and gas-fired utilities' power plants are
7 going to be 30, 35, 40 years old, burning questionable
8 fuels at that point in time, so this is a resource option
9 which we're looking at to meet the need in case a number
10 of these other projects don't go forward, the cost of fuels
11 go up, and we pass the time of surplus power that we have
12 now.

13 COMMISSIONER GANDARA: I'm not taking up the
14 issue right now of the -- your -- the value of the site to
15 the company, but I'm -- with respect to the -- to the use
16 and necessity for power exports, I guess I'm a little bit
17 confused here, because the Public Service Company in New
18 Mexico just revised their demand plan, they have just
19 foregone, you know, building of new coal plans, it will
20 probably take ten or 12 years, talking about mid-90 time
21 frame. El Paso Electric has just revised its demand fore-
22 cast downward. Apparently there's more excess power in
23 Colorado than necessary. What's needed is transmission lines to
24 get it out.

25 So, I mean -- and Tucson Gas and Electric

1 indicates that they don't need any more, at least for the
2 foreseeable future, so I'm wondering where this power is
3 going to be exported to.

4 MR. ANASTAS: We'd partially serve California's
5 needs and other states' needs. I believe the planning
6 horizon, with the exception of a New Mexico station, which
7 is a power plant -- public service in New Mexico was
8 considering in the early '90s, they see a capital crunch,
9 so to speak, in that time frame, as well as their demand
10 does not appear to be picking up.

11 The Tucson situation -- and I'm not in resource
12 planning, Commissioner, but I understand the Tucson situation
13 is such that if the Springerville units come on at the
14 right time, and the economy stays fairly low, they will
15 still have a -- a surplus of several hundred megawatts in
16 that time frame.

17 I mentioned earlier the Bechtel technology
18 screening study, and -- Pat, have --

19 MS. FLEMING: They have a copy of it.

20 MR. ANASTAS: They have that?

21 This is in your handout, and I apologize if you
22 have difficulty reading this.

23 Bechtel evaluated over 20 technologies for us as
24 candidates for the site in the mid-90 time frame. The
25 secondary technologies were recommended by Bechtel not to

1 go forward, not to go forward. There was sufficient uncer-
2 tainty associated with these that it would not appear to
3 be economical or commercially viable, or the technology
4 would not be there in the time frame, and this included, as
5 I mentioned, the nuclear fusion, gas, geothermal, MHD,
6 things of this nature.

7 They did come up with approximately ten primary
8 technologies and evaluated them for us with regard to
9 economic considerations, licensing, environmental and
10 technical, and with regard to municipal solid waste, that
11 was one that they recommended to be looked at in a little
12 more depth.

13 Coal liquefaction/combined cycle -- I believe
14 I'm reading these correct -- coal, coal, integrated
15 gasification/combined cycle, that's one that I personally
16 am very, very interested in and think -- believe would be
17 a primary candidate there, based upon the information we
18 have on the Coolwater Project of Southern California
19 Edison. Pressurized fluidized bed and solar thermal.

20 Bechtel had a caveat with regard to solar
21 photovoltaic, and the caveat had to do with if sufficient
22 breakthroughs occurred in the manufacturing technology,
23 that would bring the cost of the modules down and could
24 be competitive, and right now we have a research project,
25 we plan to put a small module out at the site and see how

1 it behaves in that adverse environment.

2 In summary, we think the site is a very valuable
3 resource, not just for San Diego, but for California and
4 the Southwest, primarily based on all the work that we've
5 done and the water supply. I cannot emphasize enough
6 importance that we see that water supply is for power plant
7 cooling.

8 I'm available for any questions.

9 CHAIRMAN IMBRECHT: Certainly.

10 MR. FOLEY: One question I have. Do you lose the
11 MWD water in the year 2000?

12 MR. ANASTAS: As -- as I -- I'm not an attorney,
13 but as I understand the most recent amendment, it's that
14 construction has to commence on or about the year 2000. It
15 would always be subject to renegotiation, of course.

16 MR. FOLEY: Thank you.

17 COMMISSIONER COMMONS: Commissioner --

18 CHAIRMAN IMBRECHT: Commissioner Commons.

19 COMMISSIONER COMMONS: On your chart, you show
20 the conventional nuclear as having the most favorable
21 economic cost. I had thought that the nuclear cost -- the
22 nuclear option had significant cost problems in the state
23 of California, not just the licensing problems. Could you
24 discuss that a little bit?

25 MR. ANASTAS: Based on Bechtel's evaluation at

1 the time they did the analysis, which was early 1982, their
2 evaluation was that it appeared that nuclear would be --
3 I think they ranked it No. 2 or No. 1 with regard to cost,
4 and we paid them, we asked them to give us their best
5 judgment, and that was Bechtel's feeling.

6 COMMISSIONER EDSON: Does that mean the company
7 does not agree with that assessment?

8 MR. ANASTAS: That means that, with regard to the
9 uncertainty and institutional problems we see with regard to
10 the use of uranium as a power plant fuel, that it's ques-
11 tionable.

12 COMMISSIONER EDSON: Are there other conclusions
13 of that study that the company thinks are questionable?

14 MR. ANASTAS: No. That's about it.

15 COMMISSIONER COMMONS: On the biomass, now, were
16 you saying that that is going to be solid waste? You men-
17 tioned solid waste, and it's not on the chart, and is that
18 what you're referring to --

19 MR. ANASTAS: Yes, the --

20 COMMISSIONER COMMONS: -- as the biomass?

21 MR. ANASTAS: The biomass option by Bechtel
22 included municipal solid waste, potentially brought in by
23 rail from either L.A. or -- and/or Phoenix, as well as
24 agricultural waste, because of the agricultural nature of
25 the surrounding community.

1 COMMISSIONER COMMONS: All right.

2 MR. ANASTAS: And they looked at, I believe,
3 50-megawatt modules, as I recall.

4 COMMISSIONER COMMONS: I happened about five years
5 ago to do a study for PGandE and did the economics on a
6 solid-waste plan for them in the Bay Area, and I would
7 think that, if that is a three, that none of these options
8 would be economically viable, because we found the costs
9 in the technology to be very high, plus you're going to
10 have to have the transportation costs associated with that.
11 It would make me concerned, if that is a three, as to what
12 these other three's might be from a cost basis.

13 MR. ANASTAS: Bechtel was looking toward the
14 future, and Bechtel was seeing that the costs of land-
15 filling and things of this nature were going up, and they
16 recommended that this should be evaluated further. None
17 of these technologies have undergone what I'll call a
18 rigorous, engineering, site-specific technology review.
19 It was more of a screening study.

20 COMMISSIONER COMMONS: I would have to suggest
21 to you that both Southern California Edison and PGandE in
22 this area have done site-specific and some very detailed
23 engineering and economic costs, and so has the Department
24 of Energy.

25 When you're talking about solid waste from

1 communities, the City of Los Angeles lost a mayor on the
2 trash separation, but you have very serious problems in
3 terms of the mechanical equipment on the trash separation,
4 plus you're going to have very high costs on the pyrolysis
5 process, is just very, very expensive and hard on the --
6 hard on the equipment.

7 I just -- I'm worried about the economic column
8 that you show here when we -- I just look at one or two
9 of them where I've had some experience, and a three would
10 be very, very expensive on -- on the solid waste, at least,
11 in my opinion.

12 COMMISSIONER GANDARA: Commissioner Commons
13 raises a good point, because a solar photovoltaic is rated
14 the least economic at five, and yet we do have a one-
15 megawatt photovoltaic plant at SCE. We have plants for
16 16.5-megawatt at PGandE, and I don't think we yet have a
17 -- any of the other ones that are rated higher than that.
18 All the twos and the threes.

19 MR. ANASTAS: Well, in the Economic column it
20 indicates that there are several twos. I believe the
21 coal combined cycle/pyrolysis is a two, and the pressurized
22 fluidized bed is a two, while a solar photovoltaic -- the
23 arrangements for the plant at Hisperia, the one-megawatt
24 facility by ARCO, as well as the plant on the Chirizo Plain,
25 which is planned by PGandE, and ARCO as well, we were

1 intimately involved in those negotiations, because
2 SDG&E's service area, and the Blythe site, were one of the
3 leading contenders, and our -- our position on that was the
4 straight avoided-cost situation, and I am not privy to the
5 information with regard to the contractual arrangements
6 between Edison and ARCO.

7 COMMISSIONER COMMONS: There's two parts here.
8 You have -- on the one hand you have the water rights, and
9 on the other hand you have the land site.

10 Now, the land site was selected for a nuclear
11 option. The water rights are transferrable to a number of
12 sites. They are not site-specific, I'm assuming. I guess
13 maybe I should ask that as a -- as a first question. Are
14 the water rights site-specific, and then my second question
15 would be, in looking at the primary alternatives that you
16 have identified here, would this be the site that you would
17 select for those alternatives, or would there be an alter-
18 native site that you would be looking at?

19 MR. ANASTAS: All right. Let me answer the
20 second question first.

21 COMMISSIONER COMMONS: On a nuclear site, for
22 example, you're going to be more concerned with seismic,
23 location of the plant. For coal, there's going to be a
24 different air pollution question. For biomass, there's
25 a transportation question.

1 It would be unusual, I would think, that the
2 same site would fit the various technologies, so I -- those
3 are two questions.

4 MR. ANASTAS: Okay. Let's talk about the second
5 part of the question with regard to the site.

6 The site -- and I did not bring this out in my
7 presentation -- is contiguous with major east-west railroad
8 lines that are in existence right now. The Santa Fe line
9 parallels Interstate 10 in that -- in that particular area.
10 As part of the earlier work that we did, we evaluated a
11 rail spur, a three-mile rail spur that would go from the
12 small town of Ripley, which is about three -- four miles
13 from the site, on up to the site, so with regard to
14 transportation we did an extensive transportation study in
15 moving large components to the site.

16 That site we feel is the best site in the region
17 because of its qualifications.

18 COMMISSIONER COMMONS: For solar photovoltaic,
19 as well as biomass, as well as coal?

20 MR. ANASTAS: With regard to solar photovoltaic,
21 we think it is one of the primary sites in the -- in the
22 Southern California desert.

23 With regard to biomass, it has potential.

24 CHAIRMAN IMBRECHT: What sort of water require-
25 ments does photovoltaic have?

1 MR. ANASTAS: Very, very little. Very, very
2 little.

3 With regard to coal, using coal as a primary fuel,
4 I mentioned the Santa Fe line and the rail spur into Ripley,
5 and the studies we did on extending that up to the mesa
6 land, so we don't think transportation from a rail stand-
7 point is a problem.

8 Also, we have been discussing with W. R. Grace
9 in the Bureau of Reclamation the concept of aquatrain,
10 which is the conveyance of low-sulfur, low-ash, low-moisture
11 product from Colorado, serving a number of power plant
12 sites along the way of that pipeline, and they are very,
13 very interested in having the Blythe site as one of the
14 depos or a stopping point for that coal pipeline.

15 COMMISSIONER COMMONS: Well, going back, in look-
16 ing at your chart in the water rights, wouldn't they be
17 most important for the nuclear, which is under your secon-
18 dary, and for the alternative coal facilities, and that the
19 site with the rail line aiming towards New Mexico and Utah
20 where you have the coal, that the site would be best for
21 those two types of uses, and not necessarily as good a site
22 for solid waste, which would have to be transported a longer
23 distance than a closer-in site, and possibly some of the
24 other alternatives?

25 MR. ANASTAS: That is -- that is basically correct.

1 Nonetheless, all these options should be studied a little
2 further. The only one that doesn't require a lot of water
3 would be the photovoltaic. The solar thermal, using a
4 steam cycle, would require the water, and the rest of these
5 do require water for power plant cooling.

6 CHAIRMAN IMBRECHT: Let me ask, what is the total
7 investment SDG&E has currently in the site? First what
8 I'd be interested in is actual costs associated with
9 acquiring the property and the water rights, and then
10 secondly, those costs associated with your environmental
11 studies, planning documents, et cetera,

12 MR. ANASTAS: We purchased the agricultural land
13 in the mid-1970s for approximately eighteen -- eighteen and
14 a half million dollars. We went through a very long process
15 to obtain the mesa land, the actual power plant site, with
16 a land exchange with the Bureau of Land Management, and
17 the approximate cost of that was about \$1.5 million.

18 COMMISSIONER COMMONS: Before you go on to the
19 second part, on the land that was agricultural, that
20 included the water rights?

21 MR. ANASTAS: That included half of the water
22 rights.

23 COMMISSIONER COMMONS: Right. And of that
24 \$18.5 million, what amount is attributable to the land and
25 what amount is attributable to the water rights?

1 MR. ANASTAS: I do not have the answer to that
2 question. I believe that the land, the agricultural land
3 came with the water rights.

4 CHAIRMAN IMBRECHT: Yeah, I would -- I would
5 think that they'd probably be attached, and I think it
6 would probably be pretty difficult to break them out.

7 COMMISSIONER COMMONS: Is it fair to say that the
8 water makes the land valuable, without the water that
9 there's not much value for the land?

10 MR. ANASTAS: That's correct.

11 The second portion of the water rights, the MWD
12 water, you know, is not tied to the agricultural land. MWD
13 in the early '70s realized they wanted to make cooling
14 water available inland and allocated water for that.

15 COMMISSIONER EDSON: At what cost?

16 CHAIRMAN IMBRECHT: At what cost?

17 MR. ANASTAS: At cost to be determined in the
18 future, at that time.

19 CHAIRMAN IMBRECHT: So there are no --

20 MR. ANASTAS: At the time they're being used.

21 CHAIRMAN IMBRECHT: So at this point in time
22 there are no carrying charges or expenses associated with
23 the MWD water.

24 MR. ANASTAS: That is my understanding.

25 CHAIRMAN IMBRECHT: Okay. Now, so the total

1 water right and land acquisition cost around \$20 million.

2 MR. ANASTAS: Not quite. I hadn't finished my
3 response.

4 In order to obtain the Bureau of Land Management
5 land that was up on the mesa, the power plant site land,
6 we had to complete a final environmental statement in
7 accordance with NEPA. The Bureau of Land Management needed
8 that, and there is a -- a section in our FES, Final
9 Environmental Statement, which deals with the land swap,
10 so there is additional cost associated with actually
11 implementing or acquiring that land swap.

12 CHAIRMAN IMBRECHT: What is that cost?

13 MR. ANASTAS: I do not know.

14 CHAIRMAN IMBRECHT: Okay.

15 MR. ANASTAS: I do not know.

16 CHAIRMAN IMBRECHT: In the --

17 MR. ANASTAS: One other area --

18 CHAIRMAN IMBRECHT: Yes.

19 MR. ANASTAS: -- has to do with the -- the EIR,
20 the Environmental Impact Report that had to be done for the
21 water supply, the use of the agricultural water, and
22 there's a series of hearings before the California Public
23 Utilities Commission and other agencies. I do not know that
24 cost. And that --

25 CHAIRMAN IMBRECHT: Okay.

1 MR. ANASTAS: The sum of those four items I
2 would attribute to, you know, the cost of land and water
3 rights.

4 CHAIRMAN IMBRECHT: And so you can't give me a
5 total of the overall costs associated with those?

6 MR. ANASTAS: That's correct. I -- I can indi-
7 cate to you that it should be less than \$25 million.

8 CHAIRMAN IMBRECHT: Okay. Now, how much do you
9 have involved in the site, in terms of other efforts and
10 expenditures?

11 MR. ANASTAS: What is in rate base right now is
12 \$45 million. That's the total, and that is divided up into
13 the \$20 million for land and another \$25 million which
14 includes all the environmental studies, transmission line
15 studies, our consultant work, hearings before this
16 Commission, the PUC, and conceptual engineering which was
17 used to prepare the licensing documents.

18 CHAIRMAN IMBRECHT: How long do those -- does
19 that \$45 million have to be in the rate base in order for
20 it to be paid?

21 MR. ANASTAS: We -- the shareholders earn a rate
22 of return on that, and we're getting into some economic
23 questions, Chairman.

24 Perhaps Jeff could --

25 MS. FLEMING: Mr. Straman.

1 MR. ANASTAS: -- Mr. Straman could respond to the
2 economic questions and the rate-making posture of that.

3 CHAIRMAN IMBRECHT: Fine.

4 MR. ANASTAS: I can answer the technical ques-
5 tions about it.

6 CHAIRMAN IMBRECHT: Okay. Fine.

7 MR. ANASTAS: He's the economist.

8 MR. STRAMAN: Would you prefer that I went through
9 my short presentation first? Because some of the ques-
10 tions may be answered with that.

11 CHAIRMAN IMBRECHT: All right. Fine. First
12 let's see if we have any further questions for --

13 COMMISSIONER EDSON: Yes. Mr. Anastas, you men-
14 tioned in your presentation that you had explored options
15 with DOE and ARCO Solar for development of the site. What
16 are the status of those discussions? What is the status?

17 MR. ANASTAS: There are about five or six efforts
18 that we made. On the first -- well, the first two major
19 ones were proposals to DOE to fund conceptual studies for
20 integrated gasification power plants, and the first one
21 was in 1980, and it was to study coal gasification/
22 combined cycle power plant, with a methanol facility.

23 COMMISSIONER EDSON: Well, I take it none of
24 those were approved; is that correct?

25 MR. ANASTAS: That is correct. There -- three

1 of them were not approved. The two with the Department of
2 Energy, because of lack of funds, their budget was cut, and
3 the one -- one- to five-megawatt photovoltaic facility,
4 ARCO decided to go to Hisperia.

5 COMMISSIONER EDSON: So currently you do not
6 have discussion about actual development of the site.

7 MR. ANASTAS: That is correct, except with the
8 17 utilities that we have been meeting with over the past
9 year.

10 COMMISSIONER EDSON: Now, as I understand -- well,
11 at least our agenda package indicates that SDG&E and the
12 PUC staff have asked us to comment on three questions.
13 One, the company's specific plan for use of the site;
14 second, the need for additional capacity; and, third, the
15 availability of alternative resources.

16 I take it from what you've just described, the
17 specific plan -- in terms of a specific plan, the most you
18 can tell us is this discussion with the other utilities;
19 is that correct?

20 MR. ANASTAS: Well, the plan is, as I've laid
21 out, we are taking -- we are meeting our milestones and
22 moving in that direction. We're diligently doing this.
23 The plan is as specific as we can make it at this point in
24 time. It would be much less specific if we did not have
25 a site, if we did not have a water supply, those kind of

1 things.

2 COMMISSIONER EDSON: No, no. I understand that,
3 and I'm not questioning your diligence in moving forward,
4 but so far, then, you have those discussions with the
5 utilities, and you have the Bechtel study which gives you
6 an array of possibilities.

7 In terms of the need for additional capacity, do
8 you have anything to give us guidance in that area?

9 MR. ANASTAS: You know, I -- I'm not the witness
10 in the hearing on the -- our resource planning, but our
11 resource plans show a need for I believe 600 megawatts in
12 the time frame of the '90s, and that has been modeled as
13 potential participation in a plant at Blythe.

14 COMMISSIONER EDSON: Do you have in your resource
15 plan an actual development at the Blythe site?

16 MR. ANASTAS: Yes. It is indicated as Blythe
17 site development. As I recall, it's approximately 125-
18 megawatt increments every other year, every third year.

19 COMMISSIONER EDSON: For a total of 600 mega-
20 watts?

21 MR. ANASTAS: Yes.

22 COMMISSIONER COMMONS: Is that in this report I
23 have? I have a coal plant in 2002 of 500 megawatts, which
24 was part of the CFM hearing process.

25 MS. FLEMING: That --

1 COMMISSIONER COMMONS: It shows zero in 1994 and
2 500 in the year 2002.

3 MR. ANASTAS: Five hundred total?

4 COMMISSIONER COMMONS: Total.

5 MR. ANASTAS: All right. I think it's about the
6 same. Our GO-131(b) filing shows it as 125-megawatt incre-
7 ments leading up to five or six hundred megawatts by the
8 year 2000.

9 COMMISSIONER EDSON: To what extent do your plans
10 for the participation of the other utilities in out-of-
11 state sales account for need for capacity at that site?

12 MR. ANASTAS: Our need for capacity is based, as
13 I indicated, on the 600 megawatts. The other utilities'
14 needs, we are working with them to help define what their
15 needs would be and who the potential participants would be,
16 and that would depend on, you know, the aggregate need as
17 well as who has financing capability during that time frame.

18 COMMISSIONER EDSON: Thank you.

19 CHAIRMAN IMBRECHT: Okay. Fine. I'm going to
20 suggest, since this is a matter for litigation, that after
21 we take the remaining testimony we break for lunch in an
22 Executive Session, so I think we should try to move along,
23 and I'd like to ask for your presentation on the economic
24 matters.

25 Would you please identify yourself.

1 MR. STRAMAN: Okay. I'm Jeff Straman, and I'm
2 the engineering economist for the San Diego Gas and Electric
3 Company, and I'd also like to speak from the viewgraph
4 over there --

5 CHAIRMAN IMBRECHT: Fine. Please.

6 MR. STRAMAN: -- as I have a few slides.

7 MR. RAYMER: When will we be coming back after
8 lunch? Do you have any idea?

9 CHAIRMAN IMBRECHT: Oh, I'm -- excuse me. I'm
10 sorry. I -- we will reconvene -- let's try to do it at
11 1:00 o'clock.

12 MR. RAYMER: Okay. And this will be the last
13 item discussed.

14 CHAIRMAN IMBRECHT: Yes, for this morning.

15 Yes. Please continue.

16 MR. STRAMAN: Okay.

17 CHAIRMAN IMBRECHT: And I would just mention that
18 we have a half hour left, and we have other people I know
19 that want to testify, so...

20 MR. STRAMAN: Okay. Fine. Thank you.

21 My part of the presentation will deal with the
22 economics of the Blythe site, and specifically I'll be talk-
23 ing about the -- the viewpoint of the ratepayer -- the
24 San Diego Gas and Electric Company ratepayer with respect
25 to the site itself, and this is a brief overview.

1 I'd first like to at the -- the value of the
2 Blythe site. We will put a dollar value on the site from
3 several different perspectives. Then we're going to take
4 that -- that view from the ratepayer's point. We'll look
5 at an economic analysis which deals with the costs that the
6 ratepayer would see by retaining the site, and also the
7 benefits he would obtain by retaining the site for future
8 use.

9 This slide gives us an overview of the value of
10 the Blythe site, and from this we should get a feel for
11 the general overall economics of the site itself.

12 We've talked a little bit about some of these
13 values already. The current rate base value is \$45 million.
14 That's the total current investment that the utility has
15 made in the lands and studies. That value is currently
16 carried in the rate base so the ratepayers are paying
17 carrying charges on a \$45 million investment.

18 We've also talked about the value of the farm-
19 lands. A good deal of the site is actually farmland, in
20 order to obtain the water rights. If the properties were
21 sold today for agricultural purposes, it's estimated they
22 would have a market value of about \$30 million.

23 So we have a 45 -- a total investment of \$45
24 million, and as agricultural land a value that is somewhat
25 less than the total current investment.

1 COMMISSIONER GANDARA: Excuse me. What year
2 dollars are these?

3 MR. STRAMAN: The \$45 million represents -- it's
4 a historical value. It's an actual reported investment.
5 The 30 million was estimated in 1982.

6 COMMISSIONER GANDARA: Okay. But say the -- for
7 all of them, they're -- they're going to be 1982 dollars,
8 or is the \$500 million going to be 1982 dollars, is it going
9 to be --

10 MR. STRAMAN: Okay. These are going to be --

11 COMMISSIONER GANDARA: -- 1995 dollars, or what?

12 MR. STRAMAN: When I talk about replacement value,
13 I've indicated the year, future years --

14 COMMISSIONER GANDARA: So it's current dollars,
15 then.

16 COMMISSIONER COMMONS: Could you explain how
17 you reached \$200 million?

18 MR. STRAMAN: Okay. The -- we show replacement
19 value in 1982 of \$200 million, and what that represents is
20 what it would cost in 1982 to go out and acquire or replace
21 the Blythe site with a similar site, so that's what it
22 would cost to obtain the land, water rights, and the level
23 of licensing certainty that now exists with the Blythe site.

24 COMMISSIONER COMMONS: I would have to --

25 MR. STRAMAN: Woodward Clyde Consultants

1 were the people who provided that value for us.

2 COMMISSIONER COMMONS: Well, I could go out --
3 I'm Southern California Edison, or Tucson Power, or someone,
4 and I could buy from you today the land and the agricul-
5 tural water rights for approximately \$30 million, if I'm
6 not mistaken, which would give me the Blythe site at \$30
7 million.

8 I don't understand how the licensing cost would
9 go from 30 to 200 million dollars.

10 MR. STRAMAN: It's my understanding it has to
11 do with -- with the use to which the site is being put, and
12 what our consultant is telling us is that if we were to go
13 out as the utility and try to obtain water rights for the
14 purposes of cooling a generating plant that the \$200 million
15 is what it would cost in 1982 to obtain land and water
16 rights for that purpose.

17 COMMISSIONER EDSON: What portion of the 200
18 million is the permit costs --

19 MR. STRAMAN: Approximately --

20 COMMISSIONER EDSON: -- and approval costs?

21 MR. STRAMAN: Okay. Approximately 80 percent of
22 the value is water.

23 COMMISSIONER COMMONS: How many acre --

24 MR. STRAMAN: So the remaining 20 percent would
25 be the other costs.

1 COMMISSIONER COMMONS: How many acre-feet of
2 water are we discussing?

3 MR. STRAMAN: I believe it's 33,000 acre-feet of
4 water.

5 CHAIRMAN IMBRECHT: Well, this doesn't -- I have
6 to say it doesn't add up in my mind. If 80 percent of the
7 200 million is the value of water, and you're only able
8 to sell the real property in question and the attached
9 water rights for 30 million, I -- I'm sorry, but I don't
10 find that very convincing.

11 MR. STRAMAN: You are coming back to -- to the
12 use of the land. We're saying as agricultural land it
13 would have a market value of only \$30 million. If the
14 utility were to go out and try to obtain a site and water
15 rights of the thirty-three acre-feet volume, the consultant
16 estimates that it would cost approximately \$200 million to
17 do that in 1982.

18 COMMISSIONER EDSON: Well, how did you get it at
19 such a bargain, then, for \$18.5 million in the mid-70s?
20 Weren't you buying it for power plant use then?

21 MR. STRAMAN: Can you answer that, George?

22 MR. ANASTAS: Okay. Let me take three minutes.
23 No more.

24 The \$30 million represents, if someone were to
25 go out and find a willing buyer to purchase the

1 agricultural land only, the 9,000 acres in the Valley, and
2 the six -- well, the water supply that goes with that, our
3 consultants indicated that agricultural land is going for
4 about that price for that amount.

5 CHAIRMAN IMBRECHT: I can accept that. That's
6 fine.

7 MR. ANASTAS: Okay. The highest --

8 CHAIRMAN IMBRECHT: The 200 is the difficult part.

9 MR. ANASTAS: Okay. Well, the highest and best
10 use of the combination of things that are represented by
11 that site, the land exchange with the Bureau of Land
12 Management, the final environmental statement by the NRC
13 and the Department of Interior --

14 CHAIRMAN IMBRECHT: Well, the -- the one thing,
15 though, that assumes that an alternative site would require
16 a similar land exchange, which doesn't strike me as a valid
17 assumption, in terms of reaching the \$200 million figure,
18 because -- I mean that happened to be the circumstance
19 where you wanted to acquire the mesa for the actual site
20 location in this instance, but that wouldn't necessarily
21 be the situation in an alternative location.

22 MR. ANASTAS: All right. In the comprehensive
23 site screening study that SDG&E did in the early '70s, it
24 turned out that that site, as well as one in Arizona and
25 another one in California, were on land -- proprietary land.

1 Two of the sites were on land owned by the Bureau of Land
2 Management, one was on an Indian reservation. We went
3 through a comprehensive site screening study.

4 What our consultant, Woodward Clyde, told us
5 was that if you went out today, 1982, and instantaneously
6 attempted to replace that site and all the permits and all
7 the attributes of the site with regard to transportation,
8 environmental attributes, water supply, you would have to
9 spend on the order of \$200 million to replace that total
10 package that that site represents.

11 And if one were to take the \$45 million, which
12 was -- which is represented there, and escalate it, just
13 produce a price index or what have you, you would not
14 reach \$200 million. You would reach a value less than
15 200 million.

16 Because of the water supply scarcity, and water
17 is becoming very, very dear in the western United States,
18 that has added an element beyond the \$150,000 that simple
19 escalation would have led you to.

20 COMMISSIONER COMMONS: Well, I want to look at
21 the 80 percent of the cost attributable to water. On
22 33,000 acre-feet we're talking \$160 million, or almost
23 \$5,000 an acre-foot.

24 I've done a little bit of work in -- bought land
25 with water rights attached, and a few years ago it was

1 around six, seven hundred dollars an acre-foot, and today
2 I think you can buy land with the water rights somewhere
3 between 800 and a thousand dollars an acre-foot, and that
4 would give me a price of close to your \$30 million for the
5 water rights.

6 I don't know how the water rights would go from
7 that figure of 800 to a thousand dollars an acre-foot up
8 to the \$5,000, and it's that portion of the \$200 million
9 that I'm having real difficulty with.

10 Either they're not available on the market and
11 you're having to buy something that's not available, so
12 you're paying a monopolistic price, or you're presenting
13 us something that I find that -- that number is very, very
14 difficult for me to look at.

15 MR. ANASTAS: Based upon the recent water trans-
16 actions, and our consultant went through water transactions
17 over the last ten or 15 years, you have hit on a key point.
18 As scarcity -- as water becomes scarcer and scarcer, it
19 doesn't bear any relation to any market situation, value
20 situation. The price goes up astronomically.

21 COMMISSIONER COMMONS: Are you -- are you saying,
22 really, then, that it's not \$200 million, that there's
23 just not water available that can be bought at a reasonable
24 price?

25 MR. ANASTAS: No, I believe the consultant report

1 indicated that if one were to replace that site and the
2 water supply associated with it, and the licensing cer-
3 tainty, one would have to go out and spend on the order of
4 \$200 million today, so it's the combination of things.

5 For example, Commissioner, one of the sites that
6 we did evaluate in the '70s did not have a water supply
7 associated with it. We would have had to have piped it in
8 for several -- well, several tens of miles to the site, so
9 to find a piece of land to locate a facility is one thing,
10 but to find a piece of land that has water close to it,
11 transportation close to it, and the environmental attri-
12 butes, this -- this is the reason why his evaluation indi-
13 cated it would cost \$200 million to replace that site.

14 DR. SNOW: Well, were they basing their evalu-
15 ation on Colorado River water solely?

16 MR. ANASTAS: No. What the consultant did, he
17 looked at water transactions in seven -- in the seven basin
18 states, I believe, over the last ten years, and some of
19 that was ground water, some of it was reclaimed waste
20 water, and some of it was Colorado River water.

21 CHAIRMAN IMBRECHT: Okay.

22 DR. SNOW: Well, what I was going to say is that,
23 as the allocation of the Colorado River water supply is
24 already over-subscribed and Arizona will be coming in with
25 their new project in another couple of years, I -- I can

1 understand that water is going to be scarce, but \$5,000
2 an acre-foot makes it only swimming pool type water. You
3 know, you couldn't -- you couldn't afford to drink it at
4 that price, even with good Scotch.

5 (Laughter.)

6 CHAIRMAN IMBRECHT: That would even make it more
7 expensive.

8 Okay. I think you ought to continue on. I would
9 say you've got another four minutes or so. Okay?

10 MR. STRAMAN: Okay.

11 CHAIRMAN IMBRECHT: So try to move right along.

12 MR. STRAMAN: Okay.

13 CHAIRMAN IMBRECHT: Because we do have to hear
14 from other people.

15 MR. STRAMAN: We'll just move to the replacement
16 value we have for 1995, and this is obtained by taking the
17 '82 value and using the producer price index as the
18 escalators, so the 1995 value is felt by our consultant to
19 be a conservative value because, due to scarcity and demand
20 for water in this region, it's felt that it will go up
21 actually much quicker than a producer price index over the
22 future time period.

23 So what we have now is a \$45 million investment
24 that the utility has made and the ratepayers are carrying,
25 and it has a value in the mid-1990s of approximately

1 \$500 million, as far as replacement value is concerned, so
2 what we want to do is take and look at the economics of the
3 situation from the ratepayer's perspective and see whether
4 it would be to his benefit to carry the \$45 million out
5 through to that future time period when a plant will be
6 built at the site.

7 And this is basically what we're going to look
8 at, is the two basic alternatives. One, retain the site;
9 and, two, dispose of the site.

10 And under retain the site, we are assuming the
11 rate-making application that the site would be retained
12 in the rate base for that period of time, and under sell
13 the site we are assuming that if it's sold today it would
14 be sold as agricultural land.

15 This is my last slide, and this is a summary of
16 the economic analysis, and what we have looked at is three
17 in-service dates. 1992 is the planned service date for the
18 facility, but the economic analysis also looks at '95 and
19 '98 to see what the economics would be should there be
20 some slippage of the service date.

21 If we just pick '95, we'll go through the values
22 here, I'll show you how the -- the graph is put together.
23 In 1995, Problem B represents the replacement value of
24 the site in that time frame, so if the ratepayers retain
25 the site and use it as their contribution to a consortium

1 built plant, they should receive a capacity value in the
2 neighborhood of \$500 million.

3 If the site is sold and the ratepayers in 1995
4 have to make a -- the utility has to make a cash invest-
5 ment in a new facility because it does not have the site
6 to exchange, an investment of \$188 million would produce
7 the same revenue charged to the ratepayer as retaining the
8 site.

9 So what we're saying is, for the same level of
10 rates from now to the future period, retaining the site
11 would provide the ratepayer with about \$500 million worth of
12 capacity value. Disposing of the site could provide the
13 ratepayers with about \$200 million worth of capacity value.
14 So we're saying for his revenue dollar, for his rate level,
15 the ratepayer is receiving better than a two-to-one benefit
16 by retaining the site.

17 COMMISSIONER EDSON: Is this the same as saying,
18 looking at the chart you just showed us, that the \$45
19 million that's currently invested is actually worth today
20 \$200 million, because that's the '82 replacement value?
21 I mean is this the same -- are we looking at the same kind
22 of comparisons?

23 MR. STRAMAN: What we're saying here is -- we
24 have to kind of I think get a little bit into the details
25 of the calculation. Under Column B, the ratepayer would

1 be carrying an investment of \$45 million --

2 COMMISSIONER EDSON: But that is --

3 MR. STRAMAN: -- from now, through the in-service
4 date, through the lack of a new facility.

5 COMMISSIONER EDSON: Is the value of the site,
6 is that the replacement value of the site? Is that what
7 you're --

8 MR. STRAMAN: On Column B, 522 is the replace-
9 ment value of the site, yes.

10 COMMISSIONER EDSON: All right. Thank you.

11 MR. STRAMAN: Under Column A, this dollar value
12 is the future investment level.

13 COMMISSIONER EDSON: My question was, looking at
14 your value of the Blythe site chart, is that the same as
15 the comparison between -- your 45 million in the rate base
16 is equivalent to site -- your Column A, versus the '82 (sic.)
17 replacement value of 200 million is your Column B?

18 MR. STRAMAN: Column B represents retaining
19 \$45 million in the rate base. If you retain the existing
20 site, you offer that as your contribution to the consortium,
21 and it would have a value of about \$500 million.

22 COMMISSIONER EDSON: But it's calculated as a
23 replacement value?

24 MR. STRAMAN: The replacement value. Future
25 dollar replacement value, yes.

1 CHAIRMAN IMBRECHT: Any further testimony to
2 be offered?

3 MR. STRAMAN: No.

4 CHAIRMAN IMBRECHT: All right. Further questions?

5 COMMISSIONER GANDARA: I just have one question
6 on your methodology.

7 MR. STRAMAN: Yes.

8 COMMISSIONER GANDARA: You started off saying
9 that you looked at two cases, one where it's carried in
10 the rate base and, therefore, the cost is passed on to the
11 consumers. The other is when you sell it. Okay? If you
12 sold it.

13 MR. STRAMAN: That's correct.

14 COMMISSIONER GANDARA: There's a third possi-
15 bility, and that is that you don't sell it, but it's not
16 in the rate base, in which case the cost is just borne by
17 the investors. Okay. Did you look at that case?

18 MR. STRAMAN: If you were to look at that case,
19 of course, the cost to the ratepayer would be lower because
20 all the costs and risks would be on the shareholder, and
21 that is not the company's position in the rate proceedings,
22 and, no, that's not included in the economic analysis.

23 COMMISSIONER COMMONS: Now, I happen to own some
24 stock in San Diego -- that's a hypothetical -- and given
25 these numbers, I wouldn't understand why the shareholders

1 would allow you to rate-base it. It seems like a remark-
2 able return on investment to carry it.

3 MR. STRAMAN: That would be based on the assump-
4 tion that the company would obtain -- that the shareholders
5 would obtain any future benefit. Now, I think what would
6 actually happen is that the ratepayers would receive any
7 future benefit that would be acquired from that site.
8 That's been the utility's experience in the past.

9 COMMISSIONER COMMONS: But it would seem, if
10 you're talking about \$600 million or \$522 million, that
11 that would be a remarkably good investment to the share-
12 holders.

13 MR. STRAMAN: If that benefit were to flow to
14 the shareholders in the future, but our experience has been
15 the benefit would flow to the ratepayers in the future,
16 so the shareholder would be sharing all the risk without
17 receiving the benefit under that scenario.

18 CHAIRMAN IMBRECHT: I don't think you ever
19 answered the question that I addressed to the other gentle-
20 man as well, and that is what is the projected -- how long
21 does this have to remain on the rate base? It's purely
22 carrying costs on the 45 million?

23 MR. STRAMAN: Yes.

24 CHAIRMAN IMBRECHT: So that --

25 MR. STRAMAN: Yes. No, we're in a -- we're in a

1 general rate case proceeding right now, and that occurs
2 every two years, so if it were authorized at -- at this time
3 in our current general rate case, it would probably be
4 authorized for a two-year period, '84 and '85. It would
5 be reviewed again in the next general rate case, which
6 would be '86.

7 So the PUC would not at this point in time be
8 authorizing an extended future period. They'd be looking
9 at just two years in the future.

10 CHAIRMAN IMBRECHT: How long do you anticipate,
11 though, it would have to be carried?

12 MR. STRAMAN: Well, our plan right now calls for
13 1992.

14 COMMISSIONER EDSON: Right now --

15 CHAIRMAN IMBRECHT: And -- wait.

16 COMMISSIONER EDSON: Excuse me.

17 CHAIRMAN IMBRECHT: And what is the cost per
18 ratepayer? Roughly?

19 MR. STRAMAN: Roughly in the neighborhood of
20 \$10 million a year.

21 COMMISSIONER COMMONS: Thirty-four cents a month.

22 CHAIRMAN IMBRECHT: No.

23 MS. FLEMING: Or 43 cents per average -- 34 cents
24 per average residential customer's bill.

25 CHAIRMAN IMBRECHT: Annually.

1 MS. FLEMING: No. Monthly.

2 CHAIRMAN IMBRECHT: A month.

3 Okay. Commissioner Edson?

4 All right. Fine. Let's -- is there anyone that
5 wishes to offer public testimony on this matter?

6 All right. Fine. Let's listen to the staff's
7 presentation, and we'll adjourn for the Executive Session.
8 Or recess, I should say. Excuse me.

9 EXECUTIVE DIRECTOR GEESMAN: Mr. Chairman, we
10 do not have the resources available to prepare testimony
11 in this matter without making some fairly radical substitu-
12 tions of effort. To file testimony, it needs to be filed
13 I believe by April 21st.

14 The question of rate treatment, appropriate rate
15 treatment for this type of investment is something that's
16 beyond our ordinary area of expertise, and we'd recommend
17 that you not intervene.

18 CHAIRMAN IMBRECHT: Commissioner Commons?

19 COMMISSIONER COMMONS: Commissioner Geesman --
20 Mr. Geesman, in our Biennial Report we made estimates for
21 demand and capacity for the San Diego area for both 1994
22 and 2002, and I think one of the three questions we have
23 to address in our response to the PUC is whether or not
24 there is a need for the site and, second, what the alter-
25 natives are, and so far testimony in this area has been

1 very limited.

2 Can you give us some information as to, one, what
3 the demand and capacity relationships are for the 1994 and
4 the 2002 period, and what the alternatives might be if
5 there is a deficiency?

6 EXECUTIVE DIRECTOR GEESMAN: Our estimate of both
7 need and alternatives available in the 1994 time period
8 as contained in the Commission's Biennial Report, and more
9 specifically in the electricity report adopted by the
10 Commission last fall, in reviewing San Diego's resource
11 plan it indicates an addition of 125 megawatts in 1992 at
12 the Blythe site, 125 megawatts in 1994 at the Blythe site,
13 so over our ordinary 12-year period they would propose a
14 total of 250 megawatts for construction at that site.

15 I don't believe the generation technology is
16 specified in the resource plan.

17 It appears to us, on a preliminary basis, that,
18 according to the electricity report, there would be a need
19 for 250 megawatts of baseload capacity in the SDG&E service
20 area in that 12-year time period. That would be subject
21 to additional work to determine what other means of meeting
22 that demand would be available to San Diego in that period.

23 For the year 2002, we estimated that a total of
24 I believe about 4100 megawatts capacity would be required
25 in the San Diego service area. San Diego's resource plan

1 currently identifies about 527 megawatts of nuclear, 625
2 megawatts of coal in that longer period, and that would --

3 COMMISSIONER COMMONS: Will you repeat those two
4 numbers, please?

5 EXECUTIVE DIRECTOR GEESMAN: 527 megawatts of
6 nuclear, 625 megawatts of coal. The total figure that I
7 rounded off at 4100 is in fact 4,053. That leaves about
8 2901 megawatts unspecified in the year 2002. We base all
9 of our own regulatory decisions, of course, on the 12-year
10 planning horizon that our forecast is best calibrated for.

11 COMMISSIONER COMMONS: Now, in the last elec-
12 tricity report, I believe Commissioner Gandara had the --
13 we had a high, a low and a medium, and we're looking at
14 land-banking a site. I understand we do a point forecast,
15 and that this is based on the point, but in the San Diego
16 area, particularly, the two -- one of the main restraining
17 forces on economic growth would be the amount of power
18 available to the region and the amount of water necessary
19 to generate that power.

20 I'm very reluctant to use a point forecast
21 either to support or deny holding a site in terms of bank-
22 ing. Now, we can get into the situation on the one hand
23 of building too much, when we're talking ten, 15, 20 years
24 out; and, on the other hand, we could get into the situation
25 of not holding a site and restraining economic development

1 in a future period.

2 Although I can't agree with the \$200 million or
3 \$500 million estimate, certainly there is some value, the
4 water rights. At least, if they paid \$20 million and the
5 market value is \$30 million, there's \$10 million that has
6 accrued just on that in the short frame.

7 In those scenarios for San Diego, what would be
8 the deficiencies if we had looked at the range of numbers
9 that have been done for the alternate scenarios?

10 EXECUTIVE DIRECTOR GEESMAN: Well, I think you'd
11 have to simply turn to the table in the electricity report
12 that contains those upper and lower bounds. We've tried
13 to -- to base our regulatory decisions on that single point
14 because that's the point that we have some confidence in.
15 We update the forecast every two years in order to take
16 account of changes.

17 I'd also add that in the event of that type of
18 misestimate by the forecaster, perhaps a special set of
19 circumstances in one utility service area, our general
20 thrust has been to try and encourage regional facilities,
21 and I believe that you heard the San Diego witnesses stress
22 the value of Blythe as a regional resource.

23 One of the concerns that the staff would raise
24 to the Commission in making whatever judgment it will in
25 this instance is the impact on other approved NOI sites

1 held by other utilities.

2 San Diego's \$45 million expenditure on this site
3 represents a little more than ten times the expenditure
4 made by all of the other utilities for all other NOI
5 approved sites and, as a consequence, the decision that
6 you make in terms of the appropriate rate treatment for
7 this site carries with it the strong implication to other
8 utilities as to how they should capitalize their NOI sites,
9 and you also need to answer the question of whether or not
10 some of those other utility NOI approved sites are better
11 regional facilities for particular technologies than is
12 the Blythe site.

13 If they are, they are significantly cheaper as
14 a hedge against uncertainty.

15 COMMISSIONER COMMONS: All right. Going back to
16 the capacity and the alternatives, we've identified approxi-
17 mately 2500 in the 1994 time frame and 4100 in the 2002
18 in --

19 EXECUTIVE DIRECTOR GEESMAN: 2500?

20 COMMISSIONER COMMONS: -- megawatts. You said
21 there was a 2500-megawatt deficiency in the baseload in
22 1994, and 4100 in 2002.

23 EXECUTIVE DIRECTOR GEESMAN: No. I believe that
24 I indicated that there would probably be a need, subject
25 to further study, for 250 megawatts in 1994, and that in

1 2002 there is a deficiency between the amount that we esti-
2 mate needed and the amount already identified in San
3 Diego's resource plan of some 2900.

4 COMMISSIONER COMMONS: 2900. Excuse me.

5 All right. Now, what are the alternatives to
6 the Blythe side of filling those deficiencies?

7 EXECUTIVE DIRECTOR GEESMAN: Again, I -- I would
8 have to refer to the electricity report. They rank in our
9 preference order of expanded power pooling, expanded con-
10 servation, our list of preferred alternatives ranging from
11 geothermal to solar, cogeneration, and wind, to coal, and
12 then finally to nuclear, and I may have either left out
13 one or more, or have stated them in the inappropriate order.
14 It's contained in a table in the electricity report.

15 And in our siting cases, we have generally
16 assessed need for a particular facility against that rank-
17 ing of preferable alternatives.

18 COMMISSIONER COMMONS: You have now delivered a
19 memo which I received this morning that did identify some
20 alternative ways of meeting this power demand. The part
21 I'm trying to get a handle on is if we have a deficiency
22 of 250 to 2900, do we have alternatives that are
23 reasonable to go forward, and what are the implications
24 if we take something out of the basket that's in the
25 basket? I would not want to have to go back to San Diego

1 in ten years and say, well, we took something out of the
2 basket that you had, and this to me seems to be the critical
3 issue, vis-a-vis the holding of the site. We're talking
4 about a one- or two-million-dollar investment, or a three-
5 or four-million-dollar investment on behalf of the rate-
6 payers, which is backed by the carrying of land which the
7 water -- which the ratepayers are going to be receiving
8 the benefit from, so the trade-off is not a large number
9 of dollars from the ratepayers' point of view, but we're
10 talking about -- even though I don't believe the two hun-
11 dred and -- the \$500 million, it's certainly going to be
12 difficult to go back and recoup this, and it's the ques-
13 tion of need over the long run in the alternatives to fill
14 that need, and I'm not sure from the information that we've
15 had presented that I feel comfortable of making a decision
16 to eliminate -- eliminate that need at this time.

17 I don't know if we have other information or
18 where it's at. I feel a little bit uncomfortable, based
19 on what we have, of making a decision to go backwards
20 at this time.

21 EXECUTIVE DIRECTOR GEESMAN: Let me walk you
22 through that memo you referred to out of San Diego.

23 CHAIRMAN IMBRECHT: I share that concern.

24 MS. FLEMING: I have not seen a copy of that,
25 Mr. Geesman.

1 EXECUTIVE DIRECTOR GEESMAN: It does not have
2 that. Let me pass it down to them.

3 The memo is in response to a request made by
4 Commissioner Schweickart when he was the presiding member
5 of the Intergovernmental Affairs Committee, a response
6 signed by me dated March 22nd. The important thing -- and
7 it comes with attachments.

8 The important thing to focus on I think are the
9 criteria which Commissioner Schweickart asked us to iden-
10 tify by which the Commission could make a decision of how
11 the site should be treated, and then an outline of the
12 testimony which the staff would recommend in response to
13 those criteria, and I -- I emphasize that this is a very
14 preliminary look and done in a circumstance when we did not
15 have what we would consider to be sufficient resources to
16 develop full testimony.

17 The first criteria, in response to your question
18 of what's in the bag, is this an approved NOI, well, the
19 site is an approved NOI for one nuclear unit, and I
20 believe the approval is either 900 megawatts or 950 mega-
21 watts of nuclear, so that to the extent that this site is
22 in any type of bag, it's that NOI approval.

23 The second criteria, has the utility made an
24 indication that it will be filing an AFC for the site in
25 the near future, while San Diego has made no indication to

1 the Energy Commission of any plan to file an AFC based on
2 that approved NOI for a nuclear facility.

3 The third criteria is has the utility filed an
4 NOI for an alternate technology. For example, coal. In
5 1977 -- in 1978 when the Commission approved the NOI for
6 the nuclear facility at Blythe, at that time known as Sun
7 Desert, and when it completed the AB 1852 study ordered
8 by the Legislature, the Commission directed San Diego in
9 its NOI approval to submit an NOI for an alternative tech-
10 nology, and I believe, although I was not at the Commission
11 at the time, that the Commission recognized some of the
12 virtues of the site for other technologies and wanted some-
13 thing more than simply nuclear approval to be in the bag,
14 as it were.

15 Specifically, one of the technologies that the
16 Commission was most interested in at the time was coal.
17 During the 1852 study, the Blythe site was looked at from
18 the perspective of a coal plant, and a tentative judgment
19 was made, although not of the stature of an NOI approval,
20 that I believe a 450-megawatt-sized coal facility might be
21 able to be sited at Blythe.

22 That same study showed that the Glamis site,
23 which is in the Southern California Edison Company's ser-
24 vice area, was a superior site for that size coal facility.
25 San Diego has made no indication to us of any plan to file

1 an NOI for the use of the site for technologies other than
2 nuclear.

3 So, as of now, the only thing that is actually
4 in the bag is a nuclear facility at the Blythe site.

5 COMMISSIONER COMMONS: Okay. You mentioned that
6 other site for 450 megawatts of Southern California Edison.
7 Do you know if they have any intent to proceed on that?
8 Would -- is there any way we can say to the people at
9 San Diego that the power from that site would be made avail-
10 able to them in the time frame where we have the deficit?

11 EXECUTIVE DIRECTOR GEESMAN: I would be doubtful
12 that Edison has current plans to proceed with the Glamis
13 site. It was not among their NOI submittal for the Cal
14 Coal facility, which I believe is a 1600-megawatt facility
15 that the Commission approved.

16 The very back page of the attachments to this
17 memo contains the NOI site bank, the bank of sites that
18 the Commission has approved through an NOI. The bottom
19 entry is Southern California Edison, Cal Coal. The
20 Commission approved four sites for a coal facility for
21 Edison. Edison I think currently owns the Rice facility.
22 I don't believe they own any of the other three. They've
23 spent about 350,000 on the Rice facility.

24 My understanding is that they do have water rights
25 from MWD for Ivanpah, Rice and Cadiz. I don't know what

1 their water situation is with respect to Boron.

2 COMMISSIONER COMMONS: Isn't the San Diego more
3 dependent on purchases from other utilities and out-of-
4 state purchases than any other utility in the state?

5 EXECUTIVE DIRECTOR GEESMAN: Yeah, we encourage
6 them to construct the eastern interconnect transmission
7 line that both strengthens their interconnectiveness with
8 the Southwest, and provides for an ability to bring in
9 geothermal resources from the Imperial Valley and Mexico.
10 We had participated either last year or the year before
11 in front of the PUC encouraging the prompt approval of
12 that line.

13 COMMISSIONER COMMONS: How certain are we in that
14 period after 1992 where the deficit starts to increase,
15 and where this particular site becomes relevant, that
16 we're going to have the ability to make those purchases
17 as we know there is that 12-year framing picture, but the
18 decisions that occur in the 1990s really begin today, and
19 if you build the power plant that's 25 years out from
20 1992, or 35 years out from 1992, and how -- how -- how
21 strong do we feel in terms of San Diego that they have a
22 secure source of supply in that -- in that period after
23 1992?

24 EXECUTIVE DIRECTOR GEESMAN: Well, I think the
25 time frame you're talking about is actually the period

1 after 1994. That's --

2 COMMISSIONER COMMONS: Excuse me, 1994.

3 EXECUTIVE DIRECTOR GEESMAN: That's the tail end
4 of our 12-year planning horizon.

5 I would hesitate to get into feelings about the
6 1994 and beyond period, because feelings tend to be quite
7 subjective. Our forecast horizon for regulatory decisions,
8 and this is a regulatory decision, is 12 years because that
9 is considered to be the lead time for a major facility.
10 We update that every two years.

11 Up until the 12-year horizon, I would say the
12 empirical data available to us indicate that there should
13 be no difficulty at all, and I think that the fact that
14 San Diego has not indicated any intent on submitting an
15 NOI and has not filed an NOI for an alternative technology
16 at the site, and has not indicated any intent to file an
17 AFC, is indicative of the fact that during that time frame
18 I don't think there's much question. Beyond that, I think
19 the staff's feeling -- again it's somewhat subjective --
20 would be that there will be preferable alternatives to
21 large coal or nuclear baseload stations in that time frame.

22 Now, I understand that San Diego's plans may
23 potentially include some of those alternatives at the Blythe
24 site.

25 COMMISSIONER COMMONS: Now, I think one thing

1 that is coming out to me is I can understand when we make
2 a siting decision and we go and build a facility that we
3 want to be in a firm position as to the demand for that
4 power, because the enormous cost, of course, is in the
5 construction of the facility.

6 But in terms of looking at, as a constraint on
7 the economy, the same thing happens on freeways and reser-
8 vation of right-of-ways, and on power plants, that once you
9 fall behind and the environment changes and economic growth
10 occurs that, by the time you have the need, it's too late,
11 and the expense can be extraordinary, and we maybe should
12 not use the -- necessarily the very limited concept of the
13 point in terms of doing an R&D plan.

14 If I were a utility, I would certainly want to
15 be conservative and look at what happens if the economy is
16 slow, or oil prices are very high, because I'm going to
17 have to pay for the cost of the facility and, on the other
18 hand, I'm not going to want to have to go back to the
19 customer and say, "I'm sorry, economic growth has occurred,
20 and you can no longer allow this industry in, because even
21 though I know you have the jobs and the people want the
22 jobs, we don't have the power to do so."

23 And perhaps the Commission's policy here could
24 act as a significant constraint on development in terms of
25 land banking or R&D plans, as distinct from construction,

1 and I think that's a question that this Commission ought
2 to look at, maybe, possibly, in making this decision.

3 EXECUTIVE DIRECTOR GEESMAN: Well, the regulatory
4 framework established by the Warren-Alquist Act I think
5 provides for that uncertainty, and I think the decision
6 that the Commission should keep in focus addressing this
7 issue is what message, what implication do you want to send
8 to other utilities in their pursuit of NOI, as such.

9 We've got five other NOI approvals currently in
10 our site bank. They have cost in the aggregate slightly
11 over \$4 million. None of the utilities involved have rate
12 based those sites.

13 San Diego, on the other hand, has a \$45 million
14 NOI approved site with no current plan to file an AFC on
15 that NOI, with no current plan to file an NOI for an
16 alternative technology, in spite of a direction from the
17 Commission five years ago to do so, and the decision you
18 make in this case, if you choose to intervene in it, would
19 quite clearly send a message to other utilities as to what
20 you consider to be the appropriate form of pursuing these
21 NOI's.

22 CHAIRMAN IMBRECHT: Okay.

23 COMMISSIONER GANDARA: I have some questions.

24 CHAIRMAN IMBRECHT: Commissioner Gandara, and
25 then I would urge that we take a recess.

1 COMMISSIONER GANDARA: Mr. Geesman, in your open-
2 ing comments, you indicated that the staff had neither the
3 resources nor the expertise to provide extensive comment
4 on rate-basing treatment, so forth. I guess your response
5 presumed that we would be intervening and be commenting
6 on rate-base treatment, whereas the issue before us is
7 really, you know, should the Commission intervene, and
8 since we don't have any prepared testimony before us I
9 would presume that if we do that the nature of the petition
10 or the nature of the intervention or the subject material
11 will be developed subsequent to that.

12 The memo you referred to today in fact, in terms
13 of an outline of testimony, has no element that really
14 involves rate-base treatment, but really is more of a
15 statement as to the NOI value in the -- the value of the
16 site as a result of having gone through the NOI process,
17 so I guess my -- my question to you is, again, if we
18 stay within at least what the Energy Commission's expertise
19 is, an intervention based -- and testimony based not on
20 rate-basing treatment but based solely or narrowly on the
21 issue of what value does a Commission NOI have I think
22 clearly -- you know, we must have the resources for that.
23 I think that the judgment would be different in that
24 instance, would it not?

25 EXECUTIVE DIRECTOR GEESMAN: Oh, I certainly

1 think that it would. The way Commissioner Schwieckart
2 framed the issue that -- that he had asked us to respond
3 to was in the rate base or not.

4 COMMISSIONER GANDARA: Well, again, I raise that
5 to the Commission's attention, because, you know, the issue
6 before us is an intervention. The issue is not to inter-
7 vene to rate -- to argue for rate-basing or not but,
8 rather, to -- whether we intervene and comment on the value
9 of an NOI to the Commission, and the interest -- I mean
10 the attention that I would bring to you again, with respect
11 to any particular site, I guess that I don't really see us
12 choosing one site over the others, but were we in a situ-
13 ation where all sites -- if applicants with all approved
14 NOI's were to come in and say do you want to make the
15 statement about the value of the NOI process, I think that's
16 a very different statement, where they would be asking us
17 to recommend a rate-basing treatment for the -- for them
18 or not.

19 I think the question I raised earlier, whether
20 if the site is valuable should it be -- the costs be
21 carried by the investors rather than the ratepayers is
22 perhaps something that should be left to the PUC's deter-
23 mination, but with respect to what value an NOI has for us
24 might be a very different matter, so I --

25 EXECUTIVE DIRECTOR GEESMAN: Well, as the cover

1 memo indicated, the PUC staff has asked us -- and I don't
2 know in what form they've asked us. They've asked us for
3 a response to a company's specific plan for use of the
4 site, need for additional generation capacity, availability
5 of alternative resources. I would suggest, in terms of
6 the staff resources we have available for that question,
7 and the fact that the recently-adopted electricity report
8 addresses those questions, that the best way of expressing
9 your judgment, and the best way of expressing your judgment
10 as to the value of an NOI, would be in the form of a letter
11 to the PUC, rather than in the form of sworn testimony.

12 CHAIRMAN IMBRECHT: Okay. I think we'll take
13 all of that under advisement and recess for one hour.
14 We'll come back at 1:15, and we'll have the Executive
15 Session in the third-floor conference room, and you might
16 want to stop and get a bite to eat before.

17 MS. FLEMING: Thank you very much for this oppor-
18 tunity.

19 CHAIRMAN IMBRECHT: Certainly. I should have
20 asked if you have any further testimony.

21 MS. FLEMING: Well, I wonder if I could have
22 the opportunity to just make a closing statement.

23 COMMISSIONER GANDARA: Sure.

24 CHAIRMAN IMBRECHT: Sure.

25 MS. FLEMING: Thank you.

1 CHAIRMAN IMBRECHT: I'm sorry. Excuse me.

2 MS. FLEMING: I would like to just remind the --
3 first off, thank you for this opportunity, and remind you
4 that we still believe in this site, and believe it is the
5 best site in the southwestern United States. We own the
6 site, we have environmental studies that go along with the
7 site, and water rights.

8 As you go into Executive Session, I would just
9 like to remind the Commissioners that the issue before you
10 today is prudence of supply planning for California, so
11 that the utilities have the option for its customers over
12 the long range, rather than short-range planning. It is
13 that, therefore, we believe, in the best interest of SDG&E's
14 ratepayers for the Blythe site to be saved and rate-based
15 for future development in the southwestern United States,
16 and we'd hope that the use of this site is not foreclosed
17 to us, that there may be alternatives for the Commission,
18 rather -- and may -- one of those alternatives may indeed
19 be intervention, one of them may be simply a letter or a
20 statement of support before the Public Utilities Commission.

21 We thank you.

22 CHAIRMAN IMBRECHT: Thank you very much. We
23 have a question from Commissioner Edison before --

24 COMMISSIONER EDSON: One last question, I think.
25 Commissioner Gandara was suggesting I think one -- another

1 alternative, and that was statements in our comments, not
2 necessarily to the advisability of rate-basing the Blythe
3 site, but as to the value of an NOI in a generic sense.

4 MS. FLEMING: Um-hum.

5 COMMISSIONER EDSON: Would that be a value, in
6 your view?

7 MS. FLEMING: Yes, I think it would be,
8 Commissioner Edson.

9 COMMISSIONER EDSON: Thank you.

10 CHAIRMAN IMBRECHT: Thank you.

11 (Thereupon, the morning session of the business
12 meeting of the California Energy Resources Conservation
13 and Development Commission was recessed for Executive
14 Session and lunch at 12:20 p.m.)

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AFTERNOON SESSION

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1:45 P.M.

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CHAIRMAN IMBRECHT: Okay. We'll reconvene.

Sorry for the delay, but sometimes Executive Sessions take a little longer than we would anticipate.

The Commission has decided the following relative to the San Diego Gas and Electric matter. We will, at a minimum, be submitting a letter of policy statement to the Public Utilities Commission. We will take under consideration the issue of whether or not we will actually present testimony. That will be referred to the Government Relations Committee, and report back to the full Commission at the next business meeting two weeks from today, which would allow us to meet the time deadline of the PUC, which is filing of proposed testimony two weeks from tomorrow.

We will -- I want to choose my words carefully to make sure I state this correctly. We will, in effect, take the following position.

One, the PUC should not require San Diego Gas and Electric to dispose of the site.

Two, we will respond to the questions posed by the Public Utilities Commission in their request to us.

And, three, we will discuss the value of an NOI, and, four, the particular value of the site in question.

1 Is that an accurate statement?

2 Apparently it is. All right. Fine. And we'll
3 adopt the precise text of either that conclusion in a
4 letter or in the way of formal testimony before the
5 Commission at the next business meeting. It was not pos-
6 sible to draft it in the last half hour, obviously.

7 Okay. We'll move on to the next item on the
8 agenda, and that is Item 4, Reconsideration of Possible
9 Approval by the Commission of a contract with the
10 Association of Bay Area Governments.

11 I'll ask first for any presentation by the staff.

12 MR. GAUGER: Thank you, Commissioner.

13 As you know, this is the second time this con-
14 tract has been before you. We were asked to do a little
15 additional research and review of the contract and come
16 back.

17 Just as a little history to the development of
18 where we are, this is actually the 11th contract in our
19 program to -- contracts, 11th contract in our program to
20 train builders, building officials, and other related
21 groups on the new Residential Building Standards. It is
22 the last contract in the current budget, and probably the
23 last one for several months.

24 The initial contracts that were let were in the
25 '81-82 budget in which we identified industries, industry

1 reps and organizations, and let sole-source contracts with
2 them. They were people who were identified early on in
3 the process by our Implementation Advisory Group as being
4 key to getting to the -- to the major industry represen-
5 tatives and getting a -- maximize our contact with industry.

6 This is actually our second contract in which we
7 are attempting to reach the heating, air conditioning and
8 ventilating contractors. The first contract was let with
9 SMACNA.

10 At that time SMACNA held ten seminars and trained
11 230 contractors. However, our analysis and our review has
12 indicated that there are a significant number of HVAC con-
13 tractors that still need training, many of which are not
14 members of SMACNA.

15 Our estimation is that SMACNA represents about
16 30 percent of the industry, as far as total members. They
17 may do more, a significant number -- a higher percentage
18 of the work done than the 30 percent, but as far as con-
19 tractors, they're about 30 percent, as we understand, so
20 we feel that there's a major group out there that are not
21 SMACNA members that needed to be contracted with or
22 trained.

23 We -- we went back and we looked at the proposals
24 that were originally submitted, and there were a couple of
25 areas that concerned us, and I think our concerns were

1 expressed by -- at the earlier meeting.

2 There was some concern about the process we
3 actually went through in the review procedures. Our feel-
4 ing is that -- that we have selected a good contractor,
5 that we've met the requirements for the proper selection
6 process. However, as a result of our review and the ulti-
7 mate discussions, our contracts office will be meeting at
8 least with Commissioner Commons, and possibly the rest of
9 you, to talk about the way in which we evaluate contracts,
10 and there may be -- in future proposals there may be some
11 revision as to how we -- how we rate contractors.

12 But again I -- we feel, in looking at the con-
13 tracts and looking at the proposals again, that we have
14 made a choice that reaches the audience that we were
15 intending to reach, specifically there are a group -- a
16 large group of nonunion, non-SMACNA members, HVAC contrac-
17 tors who have not been trained at this point.

18 In addition to looking at the process we went
19 through, we took a look at the -- the actual trainers, the
20 people who will actually be conducting the classes that are
21 being proposed by the ABAG contract. Our feeling is that
22 they have in fact selected some very quality individuals
23 and organizations. In most cases they are people that were
24 known to the Commission, and the quality of their work is
25 well recognized.

1 CHAIRMAN IMBRECHT: The essence, then, of your
2 testimony is that you recommend approval --

3 MR. GAUGER: Yes.

4 CHAIRMAN IMBRECHT: -- as originally reflected.

5 MR. GAUGER: Yes.

6 CHAIRMAN IMBRECHT: Questions? Commissioner
7 Commons.

8 COMMISSIONER COMMONS: In the contract, and I
9 guess that includes the contracts we approved last week
10 and our discussion that we had on this yesterday, the per-
11 formance and how that is going to affect the overall con-
12 tract -- contract price.

13 MR. GAUGER: If I may, I'd like to read some
14 words that were put together by our contracts office rela-
15 tive to the performance of the contractor and our ability
16 to pay or not pay, and the words are:

17 "The contractor will provide a minimum of
18 15 overview training seminars and 15 technical
19 training workshops statewide. A minimum of 750
20 persons will be trained in the seminars and 450
21 persons will attend the workshops. It is the
22 intent of the Commission that overview seminars
23 be held with at least 50 persons in each
24 technical workshop, with at least 30 in each.
25 Contractor agrees to provide training sessions

1 until the minimum of 1200 participants are
2 trained. Failure to provide training to the
3 minimum number of participants will result in
4 a proportionate reduction of funding, based on
5 the cost of this agreement per trainee. If
6 residential regulations are delayed prior to
7 completion of this training, minimum levels of
8 performance will be renegotiated."

9 And it's proposed that that amendment for per-
10 formance be added to the contract.

11 CHAIRMAN IMBRECHT: Further questions?

12 COMMISSIONER GANDARA: I have a question.

13 Has the contractor agreed to that?

14 MR. GAUGER: The contractor is aware of the
15 performance clause. I don't believe he's seen the actual
16 words, although he is here and we could ask.

17 COMMISSIONER GANDARA: Okay.

18 DR. LEONG: I've heard it for the first time, and
19 I have no problem with that.

20 COMMISSIONER COMMONS: And my assumption is that
21 it's a similar type language that we approved for all three
22 contracts?

23 MR. GAUGER: Yes. I have similar words for the
24 two that were approved previously. The numbers are dif-
25 ferent, based on the number of seminars that they proposed

1 originally.

2 CHAIRMAN IMBRECHT: All right. Without objection
3 we'll adopt that modification of the order of last week for
4 those other two items, or at the last meeting, and -- and
5 ask if there is public testimony.

6 I have two individuals, Bob Raymer from the
7 California Building Industry Association.

8 MR. RAYMER: Thank you, Commissioner.

9 Bob Raymer of the California BIA.

10 About a year ago I had the opportunity to attend
11 an ABAG seminar on solar access, and I just wanted to say
12 ABAG specifically can put on a very, very good seminar.
13 The question that we wanted to raise was that which was
14 brought up by the Commission itself, the effectiveness of
15 a governmental agency providing the seminars for private
16 industry trade associations.

17 Even though there are a lot of nonunion people
18 out there, there's still the possibility of the negative
19 atmosphere surrounding government which could put off a
20 lot of people.

21 All we'd like to bring out is that -- it's not to
22 say sour grapes for SMACNA, or whoever else applied, it was
23 just in not talking in specific terms to ABAG, but a
24 governmental agency taking on the residential standards is
25 very questionable, at least in our opinion.

1 That's all I have say.

2 MR. GAUGER: In response to that, I might add --

3 CHAIRMAN IMBRECHT: Well, just --

4 MR. GAUGER: Oh. I'm sorry.

5 CHAIRMAN IMBRECHT: Any questions?

6 We'll get to your response in just a minute.

7 Let's take the rest of the public testimony.

8 MR. GAUGER: Okay.

9 CHAIRMAN IMBRECHT: Fine. We have Dr. Eugene --
10 I'm not -- Leong -- excuse me. I'm -- you might help me
11 with the pronunciation of your name, Doctor -- represent-
12 ing ABAG.

13 DR. LEONG: I am Gene Leong --

14 CHAIRMAN IMBRECHT: "Lee-ong."

15 DR. LEONG: -- with the Association of Bay Area
16 Governments, and I really don't have any additional com-
17 ments, other than perhaps maybe I could address myself to
18 the concerns that have been expressed about a, quote,
19 governmental agency performing the work.

20 I would say in terms of the process, if there had
21 been concerns about a governmental entity performing the
22 work, that that should have been part of the ground rules,
23 because we certainly, as an agency, are not interested in
24 -- in trying to conduct work in an area where perhaps a
25 contract shouldn't be let, so I think if the ground rules

1 from the very beginning in the RFP process are that govern-
2 mental agencies are not going to be allowed to bid, then
3 that should be stated.

4 I would say we have three subcontractors that
5 are very qualified, and those subcontractors are all pri-
6 vate firms, and we have some of the key people in those
7 private firms, so, from our perspective, if the contract
8 is not let to ABAG, it is not only ABAG that perhaps will
9 suffer, but also the -- the private firms that are a part
10 of our team, and I would say in much of the training that
11 we do this is in fact one of our strengths, that we can
12 broker or -- or put together what we feel are the most
13 responsive teams to a particular RFP.

14 I think in summary I would just -- just make a
15 couple of comments, that if the agency with its team that
16 has been put together has been unresponsive to the RFP as
17 it was put forth, then I would say don't let the contract
18 to us.

19 If in the assessment of the Commission we are
20 unqualified, either technically or professionally, to do
21 the work, then I would say also don't let the contract to
22 us, but I would say, in all due respect, that if you feel
23 that we have followed the due process, then it shouldn't
24 be denied strictly on a stereotype of what you think a
25 government agency can or cannot do.

1 I think the world is changing quite a bit. We
2 are getting into quite a few public and private partner-
3 ships. I think a couple of years ago you would have never
4 thought of buying stock at Sears, but you're going to buy
5 stock at Sears soon.

6 Similarly, Bank of America, and many traditions
7 that we've followed are changing, and I think along with
8 that is government working closely hand in hand with private
9 industry, and the issue I think is who's most qualified to
10 do the work.

11 CHAIRMAN IMBRECHT: Well, I don't -- I don't
12 question that as a certainly laudible goal. I think that
13 the real issue is not one of a stereotype but, rather, a
14 judgment that -- at least I feel comfortable in making,
15 that the recipient community does deal with this entire
16 issue from a degree of skepticism and that -- you know, I
17 think it's actually reasonable for us to make a decision
18 based upon those perceptions, and recognize that we need
19 to be as responsive as possible to insure that the people
20 that are going to be affected are going to be cooperative
21 in the implementation of these standards.

22 I think as I said at the last meeting, we don't
23 have enough police in California to fully enforce our
24 criminal code, much less the broad range of regulatory
25 requirements in California, and as a consequence the

1 viability of any regulatory effort is largely dependent
2 upon the cooperation of the affected communities, and since
3 that is an essential part of our long-range forecasting
4 and our efforts to try to generate and increase conserva-
5 tion in California, it certainly is an effort that we
6 cannot take lightly.

7 Okay. Mr. --

8 COMMISSIONER EDSON: Question.

9 CHAIRMAN IMBRECHT: Excuse me. Commissioner
10 Edson.

11 COMMISSIONER EDSON: Mr. Raymer mentioned having
12 attended an ABAG conference on solar access. Have you --
13 have you done training seminars before that -- where the
14 target audience has been the private sector?

15 DR. LEONG: Yes. For example the -- probably
16 the area where we've done more training in the private
17 sector has been in erosion control related to water quality,
18 but those training programs we have given extensively,
19 not only to public works directors, which are the inspec-
20 tors, other public agencies such as park districts, but
21 also many contractors have attended those, because many of
22 the jurisdictions are now adopting ordinances and regula-
23 tions to deal with the erosion control problems, and so
24 far we've given that -- that type of training probably a
25 dozen times.

1 As a matter of fact, Steve Goldman, who's
2 actively involved in -- in this proposal, is giving that
3 training course right now, again sold out. We have a --
4 a cap on the number of participants in that, and we have
5 repeatedly sold that thing out, and about half of the
6 participants are private sector builders.

7 CHAIRMAN IMBRECHT: Has that been statewide, or
8 just in the Bay Area?

9 DR. LEONG: That one has been primarily in the
10 Bay Area, although we have also done some contract work
11 to the Tahoe Regional Planning Agency in erosion control,
12 helping them in their promotional work, trying to preserve
13 the water quality in Lake Tahoe, so --

14 CHAIRMAN IMBRECHT: Good. A subject near and
15 dear to my heart.

16 COMMISSIONER EDSON: Thank you.

17 CHAIRMAN IMBRECHT: Thank you.

18 Okay. Mr. Vermeulen wants to testify.

19 MR. VERMEULEN: Thank you, Mr. Chairman.

20 For the record, my name is Phil Vermeulen. I'm
21 director of Technical Services for the California
22 Association of Sheetmetal and Air Conditioning Contractors.

23 I would like to clear the air and try to go back
24 to two weeks ago, that -- and I would like to make this very
25 self-evident, that we are not personally attacking ABAG,

1 and somehow when things get to a point they sometimes get
2 blown out of proportion, and it's unfortunate some of the
3 things I regret that I have said.

4 We do want to cooperate with whomever gets the
5 contract, clearly. Fortunately, our annual convention is
6 coming up next week, and I want to bring this issue up,
7 not only in front of my technical committee, but also in
8 front of the general assembly for I guess the world and
9 God to be able to express themselves on this, and I would
10 like to get the support of our members, and that is the
11 opportunity to do that, if this contract passes, and that
12 we can work in cooperation.

13 I suspect that the only thing that we would be
14 concerned with is that we could review some of the
15 materials before the training goes on, and then take it
16 from there, but again I take my directions from my board
17 of directors and my technical committee, and things that
18 were said a couple of weeks ago, I have been supported by
19 several of my chapters, but I do still want to clear the
20 air and say that personally we have nothing against ABAG,
21 and, you know, the training that they've done in the past,
22 that's commendable, and I'm sure they can do excellent
23 work.

24 CHAIRMAN IMBRECHT: Okay. I personally didn't
25 see that you said things that were --

1 MR. VERMEULEN: Well --

2 CHAIRMAN IMBRECHT: -- personally negative to
3 ABAG.

4 MR. VERMEULEN: I hoped I had not, but --

5 CHAIRMAN IMBRECHT: I thought they were more
6 generic about --

7 MR. VERMEULEN: -- people have said things to me,
8 so I just wanted --

9 CHAIRMAN IMBRECHT: -- perception. Fine.
10 Commissioner --

11 MR. VERMEULEN: -- to make sure on the record
12 that I'd said that.

13 CHAIRMAN IMBRECHT: Commissioner Commons.

14 COMMISSIONER COMMONS: Mr. Vermeulen, if we were
15 to reject the contract, my understanding would be we would
16 have to reopen the RFP process, and that that would take
17 probably a minimum of three, four months, and I'm wonder-
18 ing if we would not be doing a greater disservice to the
19 industry at this time, even though I would -- if I had sat
20 on the Committee I would have probably not taken the
21 action that the Committee took.

22 I have a greater concern for the contractor who
23 is in the field and is going to have to abide by the
24 standards, and I'm sitting here faced with a decision. I
25 might not -- this Commission has taken other decisions I

1 might not have supported, and I'm sure that there are
2 selection committees who have selected someone that I would
3 not have preferred, but my tendency is to think that it's
4 more important that we get the job done in this case and --
5 than to go back and start over, because we're going to
6 hurt everybody if we start over, and at least we now are
7 assured of the fact that a large number of people are
8 going to be reached, and I would hope that the ABAG people
9 would take you up on your very kind offer to review the
10 materials.

11 In fact, I'd like to ask, is -- is ABAG willing
12 to -- to do that?

13 MR. VERMEULEN: We've --

14 DR. LEONG: We have already been talked to.

15 MR. VERMEULEN: We've been talking. We -- the
16 other day.

17 DR. LEONG: We definitely would like to --

18 MR. VERMEULEN: Sure.

19 DR. LEONG: -- find and solicit their participa-
20 tion and taking the chances.

21 CHAIRMAN IMBRECHT: Excellent. They talked.

22 MR. VERMEULEN: If -- if -- if I may, hindsight
23 is 20/20. Personally, in reviewing all the things, I
24 think it would have saved a lot of time and effort on
25 everybody's part had this been a sole-source contract,

1 because the materials that were developed from the previous
2 contract that we had, surely there's things that we, going
3 through the training process, would like to have included
4 in our training, which we had planned to do.

5 Also, we had planned to go out and train insula-
6 tion contractors, the concrete masonry contractors, and the
7 plumbers, as well as well as the HVAC, so our emphasis in
8 developing that proposal was to reach out to a larger
9 audience.

10 But I think the major thing that we would have
11 done, number one, is be sure to allow adequate time to be
12 able to publicize the thing. As I said, the contract that
13 we had last year gave us three days turnaround, and, I mean,
14 we were lucky to get 235 contractors who really were --
15 again, hindsight is 20/20.

16 CHAIRMAN IMBRECHT: Okay. Thank you very much.

17 MR. VERMUELEN: Thank you.

18 CHAIRMAN IMBRECHT: All right. Fine. I detect,
19 then, a sentiment to approve the contract, with the modifi-
20 cation on which -- do I hear objection?

21 All right. Fine.

22 COMMISSIONER GANDARA: I move it.

23 CHAIRMAN IMBRECHT: That will be the order.

24 Okay. I'm sorry. Motion by Gandara, second by
25 Commissioner Commons.

1 COMMISSIONER COMMONS: No.

2 CHAIRMAN IMBRECHT: No? Commissioner --

3 COMMISSIONER COMMONS: I object. I won't second.

4 CHAIRMAN IMBRECHT: Commissioner Edson. Excuse
5 me. Whichever.

6 All right. Fine. Moving right along, is there
7 objection to the adoption of the Consent Calendar?

8 COMMISSIONER EDSON: I just want to point one
9 thing out. I'm not objecting to the Consent Calendar, but
10 there is -- there has been a change in the proposed deci-
11 sion on the claim of exemption for the Hilltop Project.
12 It's Item c. on the Consent Calendar.

13 CHAIRMAN IMBRECHT: Um-hum.

14 COMMISSIONER EDSON: And I wanted to make sure
15 that the Commissioners were all aware of the new draft of
16 that decision, and it should be in the back-up packet.

17 CHAIRMAN IMBRECHT: Yes.

18 COMMISSIONER EDSON: But it's not an objection
19 to leaving it on the Consent Calendar.

20 COMMISSIONER GANDARA: Two information questions --

21 CHAIRMAN IMBRECHT: Yes.

22 COMMISSIONER GANDARA: -- on two separate items
23 again.

24 CHAIRMAN IMBRECHT: All right.

25 COMMISSIONER GANDARA: But -- okay. On the Item

1 5, the General Counsel's draft order, paragraph 4, Section
2 2, it's my understanding, Commissioner Edson, that you
3 would be -- were you able to deletion of that?

4 COMMISSIONER EDSON: Let me find it.

5 CHAIRMAN IMBRECHT: Excuse me. Where are you
6 talking?

7 COMMISSIONER GANDARA: We're talking -- Item 5.

8 CHAIRMAN IMBRECHT: Item 5, what, a., b., c.?

9 COMMISSIONER COMMONS: Paragraph 4, Section 2.

10 COMMISSIONER GANDARA: To refresh the Commission's
11 memory on this, we requested the General Counsel to come
12 back to us with a cleanup set of -- a cleanup order on the
13 Committees.

14 CHAIRMAN IMBRECHT: Oh.

15 COMMISSIONER GANDARA: At that time I raised the
16 question whether Committees ought to be ruling on whether
17 petitions ought to be accepted or not. We referred that
18 to a process Commissioner Edson was undertaking at that
19 time.

20 Again, before we adopt a Committee -- before we
21 adopt an order that includes a provision that presented
22 the problems we had with this last time, I would recommend
23 that we delete paragraph 4.

24 COMMISSIONER EDSON: Yes. I'm supportive of that,
25 and I have a proposed time line for handling petitions that

1 accounts for that change in the order and sets out a process
2 for review of staff recommendations by the petitioners that
3 other proposals be provided to the staff with the sugges-
4 tion that they develop more detailed procedures and report
5 back to the Commission.

6 CHAIRMAN IMBRECHT: All right. Without objection,
7 Section 2, paragraph 4, will be deleted from the proposed --

8 COMMISSIONER GANDARA: Okay. And then an infor-
9 mational question on Item 5.b., on the Quarterly Oil Report.
10 I have no problems with the report generally. This report
11 and the Energy Watch are some of our most popular and
12 valuable of our publications.

13 I do have a question as to why it's before us.
14 I thought that we decided at one time that these were
15 issued, you know, and approved by the Executive Director.
16 It has a qualifier that it's a staff document in the first
17 paragraph, and also, since I read that it was issued by
18 the -- by the Commission, I guess, on a Monday paper, I'm
19 generally not in favor of approving things that we've
20 already issued --

21 CHAIRMAN IMBRECHT: That's correct.

22 COMMISSIONER GANDARA: -- or at least holding
23 them until we approve them, so --

24 COMMISSIONER COMMONS: Yeah, I would like to
25 delete that item.

1 CHAIRMAN IMBRECHT: All right. Fine. Is there
2 any response from staff?

3 EXECUTIVE DIRECTOR GEESMAN: I'm looking at the
4 statute now, Commissioner Gandara. There may be somebody
5 better certified to comment on it than I, but Subsection
6 (a) of your -- Section 25358, sub (a), of the Warren-
7 Alquist Act, indicates that within 70 days after the end
8 of each preceding quarter of each calendar year the
9 Commission shall publish and submit to the Governor and
10 Legislature this report, and I think that's how --

11 MR. URBAN: This is the quarterly fuel --
12 this is the quarterly fuel manager reports. You're looking
13 at the annual petroleum report.

14 EXECUTIVE DIRECTOR GEESMAN: I'm looking at the
15 section that's cited in the resolution.

16 COMMISSIONER GANDARA: My only -- yeah. It's a
17 good report. My only problem is here is if we don't
18 need to approve them, we don't need to see them. If we
19 need to approve them, then we ought to hold on until --
20 until we approve them, you know.

21 EXECUTIVE DIRECTOR GEESMAN: If the section
22 cited in the resolution is the accurate one, it's on your
23 Consent Calendar because the statute calls for the
24 Commission to --

25 CHAIRMAN IMBRECHT: All right. I'm going to rule

1 that we leave it on, and we can resolve this ambiguity for
2 future such treatment, and I agree with Commissioner
3 Gandara that it should not be issued publicly if it
4 requires Commission adoption until that has occurred.

5 EXECUTIVE DIRECTOR GEESMAN: I'll have to look
6 into that. I'm not aware of the newspaper story.

7 CHAIRMAN IMBRECHT: I think it was issued, to
8 tell you the truth.

9 Okay. Fine. Without objection, we'll adopt the
10 consent calendar.

11 Item 6, is there objection to approval of the
12 minutes?

13 Hearing none, that will be the order.

14 Are there any Commission Policy Committees that
15 have reports to make?

16 Hearing none --

17 COMMISSIONER EDSON: I have a question --

18 CHAIRMAN IMBRECHT: Oh, I'm sorry. Excuse me.
19 I have a report to make on legislation. Let me run through
20 that very quickly.

21 You should have a memorandum in the rear of your
22 binder. Basically, we propose the action summarized on
23 the first page. If you'd like me to answer any questions
24 I'd be happy to.

25 Quickly summarizing, we propose to oppose AB 205

1 by Assemblyman Goggin on the grounds that it would hope-
2 lessly complicate our administrative staffing and services
3 here, I hope, in a very difficult situation with the
4 Resources Agency.

5 Secondly, we propose to oppose AB 600 by
6 Assemblywoman Hughes. That is legislation that was
7 generated by an erroneous assumption by L.A. Unified School
8 District that they were not -- could not qualify for our
9 loans and grant program for schools and hospitals, and we
10 have eliminated that ambiguity.

11 Moreover, the State Allocation Board is ill
12 equipped to administer a conservation program; and, finally,
13 the State Allocation Board does not really want to do that
14 either, and it would be further diffusion of energy-
15 related responsibilities, which I think we -- is the wrong
16 direction to move.

17 We propose to support the GRDA Bill by
18 Assemblyman Hauser. We propose a neutral position at this
19 point in time on SB 3 by Senator Montoya. We will work
20 with the author to deal with many of the issues that are
21 raised in that bill.

22 And, finally, we propose to support in concept
23 SB 298 by Senator Hart, which is the extension of the solar
24 tax credit.

25 Is there objection to adopt?

1 COMMISSIONER EDSON: I have a -- one comment on
2 AB 600. The analysis seems to indicate that we would
3 oppose and urge that the program be placed here. I would
4 suggest that we already have one, and that --

5 CHAIRMAN IMBRECHT: Oh.

6 COMMISSIONER EDSON: -- outright opposition is
7 the way I would couch the position.

8 CHAIRMAN IMBRECHT: Fine. I think that's -- that
9 is appropriate.

10 Commissioner Commons.

11 COMMISSIONER COMMONS: You know, I -- are you
12 talking about taking all five of these in one lump sum?

13 CHAIRMAN IMBRECHT: Unless there's objection.

14 COMMISSIONER COMMONS: I have no problems with
15 the first three.

16 CHAIRMAN IMBRECHT: Okay. Well, then, we'll
17 adopt those positions on the first three, and would you
18 care to address your concerns about the next two?

19 COMMISSIONER COMMONS: Well, on the -- on the
20 Reorganization bill, I -- there's no way I feel the
21 Commission can be neutral. I would prefer we not take a
22 position at this time than to take a position of -- of
23 neutrality.

24 CHAIRMAN IMBRECHT: Well, maybe I didn't
25 adequately explain that. The view of the Committee was to

1 take a position of neutrality at this point in time, with
2 the expectation that we would take a -- we would move off
3 of neutrality.

4 There's some question as to the form that the
5 bill is in presently, whether it reflects decisions made
6 last year during the legislative session on a similar
7 piece of legislation.

8 There's some confusion with the legislator staff
9 as to what provisions we should actually be considering,
10 and so forth, and that's why we took a position of neutral,
11 work with the author, and my sense is we would probably be
12 coming back at some future point to recommend either
13 support or opposition.

14 COMMISSIONER COMMONS: Why don't we just take
15 the position to work with the author, rather than taking
16 a position to be neutral?

17 CHAIRMAN IMBRECHT: I don't really care. It's
18 fine with me. Without objection, we'll make that change.

19 And as to --

20 COMMISSIONER COMMONS: Oh, the Solar Tax Credit,
21 we're talking here about a hundred to a hundred and twenty
22 million dollars of solar tax credits, and I just don't
23 think we want to take a position without some discussion
24 on -- on this one, in terms of all of the numerous elements
25 in the overall impact as part of a package vote. I think

1 there's lots of issues in lots of different areas. I have
2 been waiting for this, and I understand that there is a
3 substantial staff position paper, and I would feel very
4 uncomfortable, when we have devoted significant resources
5 in terms of evaluating the tax credit, to take a position
6 until I've had the opportunity to see the work that's been
7 prepared by the staff on the tax credits. I think it's
8 a premature action.

9 COMMISSIONER EDSON: I'd like to comment very
10 briefly.

11 CHAIRMAN IMBRECHT: Commissioner Edson.

12 COMMISSIONER EDSON: I -- I actually see this
13 recommendation as entirely consistent with the recommenda-
14 tion incorporated in the Biennial Report adopted by the
15 Commission last fall, which is to support extension of the
16 tax credits, reserving judgment for the specific treatment
17 of various of the technologies, and detailed comment on
18 the specific provisions of the bill. I'd support the
19 recommendation as it is.

20 COMMISSIONER GANDARA: Commissioner Edson
21 correctly reflected, and also a bit more accurately than --
22 the statement of the prior CEC position of what the BR-IV
23 was, and I would support that as well.

24 COMMISSIONER EDSON: Let me just assure
25 Commissioner --

1 CHAIRMAN IMBRECHT: Do I hear a motion?

2 COMMISSIONER GANDARA: Yeah.

3 COMMISSIONER EDSON: Yes.

4 CHAIRMAN IMBRECHT: Moved by Commissioner Gandara,
5 seconded by Commissioner Edson.

6 Do you wish to be recorded --

7 COMMISSIONER COMMONS: Well --

8 CHAIRMAN IMBRECHT: -- no, Commissioner Commons?

9 COMMISSIONER EDSON: Let me -- let me just
10 assure Commissioner Commons that that -- that analysis will
11 be presented before the full Commission when the issue on
12 the specific treatment of each of the technologies
13 currently eligible for the tax credit is prepared.

14 COMMISSIONER COMMONS: Well, I just want to make
15 a statement.

16 CHAIRMAN IMBRECHT: Okay. Fine.

17 COMMISSIONER COMMONS: I think the Commission
18 is acting after we've invested substantial staff resources
19 in evaluating something very, very important to the
20 Commission and to the State of California, and I see no
21 reason for us to take a position on the bill prior to the --
22 having the opportunity to review the tax credit analysis,
23 and to look at the specific areas, and to support in con-
24 cept may mean that we're supporting all, or portions, or
25 whatever, and I would feel that, without seeing the reasons

1 why the tax credit is working or not working and the areas
2 that it's working or it's not working, that I certainly
3 could not advocate the expenditure of state monies without
4 seeing the justification, and so I will not vote in
5 support of -- of this recommendation.

6 CHAIRMAN IMBRECHT: Do you wish to be recorded
7 as a "No" vote --

8 COMMISSIONER COMMONS: And I will --

9 CHAIRMAN IMBRECHT: -- or as an abstention?

10 COMMISSIONER COMMONS: No, a "No" vote.

11 CHAIRMAN IMBRECHT: All right. Fine.

12 COMMISSIONER GANDARA: I'll just -- I'll just
13 make a brief statement, and then we can move on on this.

14 To make the supporting concept was precisely, you
15 know, to support what Commissioner Commons has said, and
16 that is that we supported in concept an extension of the
17 credits. We didn't say specifically what -- what areas,
18 you know, how much, for what period of time, and so forth,
19 because all that was to be left -- precisely the kind of
20 process we were going through, so I share Commissioner
21 Commons's concerns, except in my case here I -- I feel
22 that there's room for a supporting concept, you know, of
23 -- and it's that and not the precise support of the bill
24 and all its particular elements, but, you know, I just
25 wanted to explain that it -- that I think we have very

1 similar views, but for some reason we come
2 out --

3 COMMISSIONER COMMONS: Is there a reason that our
4 Commission is acting today rather than in two weeks?

5 COMMISSIONER EDSON: The bill is up today, the
6 Senate Revenue and Taxation Committee, and the Assembly
7 version of this bill will be heard in less than two weeks.

8 COMMISSIONER COMMONS: Well, I -- it's in our
9 packet. No one -- I have discussed the -- well, I'm not
10 going to say anything further.

11 CHAIRMAN IMBRECHT: Okay. Fine. We will record
12 the Committee Report as being adopted as to all bills
13 unanimously, with the exception of the last, and
14 Commissioner Commons will be recorded as a "No" vote.

15 COMMISSIONER EDSON: I have a question for the
16 Budget Committee.

17 CHAIRMAN IMBRECHT: Yes. Okay.

18 COMMISSIONER COMMONS: If this is the right
19 opportunity.

20 CHAIRMAN IMBRECHT: The Budget Committee has got
21 to get out of here quickly.

22 COMMISSIONER EDSON: That's fine. I think it's
23 an easy question.

24 I know that there's been a lot of work going on
25 now in revising the budget, and I'm interested in what the

1 plans are for bringing that revised budget before the
2 Commission.

3 CHAIRMAN IMBRECHT: I really don't know that I --
4 we have any plans. We've made an effort to try to keep
5 everyone informed as to what has been happening, and also
6 to solicit comments from the other Commissioners. The
7 fact of the matter is that we're just dealing with a very
8 constrained timeframe with the Department of Finance. We
9 were able to get a -- an extension of our time, which means
10 I think we were perhaps the only State Agency that was able
11 to get that extension, and that basically was until Monday
12 for Finance to submit their letter to the Legislature, and
13 it is for that reason we were on that very accelerated
14 pace last week on consideration of the budget.

15 Was there --

16 COMMISSIONER EDSON: Well, the -- as I have
17 indicated in a memo to the Committee, and as I understand
18 from the latest -- the latest discussions, it remains a
19 problem, and that is inadequate budgeting for work that's
20 required by statute, and -- in particular in the area of
21 tax credits.

22 Perhaps we should discuss it later, but you do
23 have a memo --

24 CHAIRMAN IMBRECHT: All right.

25 COMMISSIONER EDSON: -- that details that concern.

1 CHAIRMAN IMBRECHT: All right. Fine. I'll pay
2 special attention to that.

3 COMMISSIONER COMMONS: I guess -- I guess this
4 is the appropriate time to discuss that item.

5 Concerning the new programs, as distinct from
6 the technical changes that have been recommended in the
7 budget --

8 CHAIRMAN IMBRECHT: Um-hum.

9 COMMISSIONER COMMONS: -- at least I, as a
10 Commissioner, have had no input in that area, and I would
11 think where we're talking about program changes that that
12 is appropriate to go before the full Commission, as dis-
13 tinct from the technical elements which essentially went
14 from the Chairman to Finance Committee, and are not neces-
15 sarily the Commission's position, and I recognize the time
16 constraints, and you have a letter from me saying I'm in
17 general support of what transpired there, and the basic
18 concepts.

19 CHAIRMAN IMBRECHT: Fine.

20 COMMISSIONER COMMONS: But on the program --

21 CHAIRMAN IMBRECHT: I think your -- one of your
22 staff members was present at the meeting held yesterday
23 to discuss the policy, and we welcome input, obviously,
24 from all Commissioners, so --

25 COMMISSIONER COMMONS: Yeah. But I think the --

1 there it needs to go beyond the Budget Committee, and needs
2 to go to the full Commission --

3 CHAIRMAN IMBRECHT: Okay. Well, we're going --
4 again, Commissioner Commons, we're going to have to make
5 our submission to Finance prior to the next business meet-
6 ing, so I would guess that we probably had better try to
7 deal with that today and tomorrow on an informal basis
8 initially to insure that your input is --

9 COMMISSIONER COMMONS: All right. I did make some
10 input on the previous go-around, and I never did get feed-
11 back as to the action of the Committee concerning my
12 specific request.

13 CHAIRMAN IMBRECHT: Okay. Further comments?

14 COMMISSIONER GANDARA: It just occurs to me that
15 what is being raised as -- as a concern here is -- is what
16 budget for what purpose, and that perhaps it would be
17 worthwhile for -- for us to discuss, you know, the budget
18 submittals for Finance, as opposed to the budget the
19 Commission might be interested in pursuing, if there are
20 any differences. There might not be. If I can reflect
21 your concerns correctly, is -- is that accurate?

22 COMMISSIONER EDSON: I'm not sure what you said.
23 The --

24 COMMISSIONER GANDARA: There is a budget, you
25 know, for purposes of technical changes that we submitted,

1 and I presume there's something -- I guess there's a time-
2 line here with respect to the other policy changes we --
3 we talked about, but what I hear is -- is whether there --
4 that is going to be the extent of our budgetary request
5 before all forums, or before Finance.

6 CHAIRMAN IMBRECHT: I still don't --

7 COMMISSIONER GANDARA: Perhaps I --

8 COMMISSIONER EDSON: That's what -- you're sug-
9 gesting -- you're asking whether --

10 COMMISSIONER GANDARA: -- I misunderstand the
11 issue here, perhaps. I don't know.

12 COMMISSIONER EDSON: Is your question a sugges-
13 tion that we would be advocating a budget other than the
14 one that we submit to the Department of Finance in this
15 exercise?

16 COMMISSIONER GANDARA: I don't know. I thought
17 I -- I thought that was one of the concerns that I heard,
18 that --

19 COMMISSIONER COMMONS: That's a concern you
20 heard from me, is that we took a very unusual and non-
21 precedent-setting step here, because of the real-life --
22 the real facts of life in terms of doing this, but this
23 is not going to occur again, and it's the Commission that
24 adopts the budget, not committees, and that we will in the
25 future have full Commission involvement, in terms of the

1 Commissioners, in a public hearing on the budget.

2 COMMISSIONER GANDARA: No, my perspective has
3 been that there's been that involvement. We solicited that,
4 and, you know, we -- we've tried to accommodate it the best
5 way we can.

6 I guess I'm trying to understand the request as
7 -- as part of the process, and perhaps we need to talk
8 about it later.

9 COMMISSIONER COMMONS: When I -- when we do an
10 R&D report, it comes before the full Commission, and when
11 we did a solar tax credit it comes before the full
12 Commission. I don't just solicit your opinion. You have
13 an opportunity to make an amendment and to vote upon the
14 issue.

15 COMMISSIONER GANDARA: I asked the wrong ques-
16 tion obviously.

17 CHAIRMAN IMBRECHT: Okay. I really need to
18 excuse myself very briefly, so let me just find out, is
19 there any report on Public Utility Commission -- none.
20 Thank you.

21 Is there a General Counsel's Report?

22 MR. CHAMBERLAIN: No.

23 CHAIRMAN IMBRECHT: None. Thank you.

24 Executive Director's Report?

25 EXECUTIVE DIRECTOR GEESMAN: None.

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CHAIRMAN IMBRECHT: Thank you.

Does anyone wish to comment before the Commission
on any matter?

Thank you as well.

The meeting is adjourned.

(Thereupon, the business meeting of the
California Energy Resources Conservation and Development
Commission was adjourned at 2:25 p.m.)

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REPORTER'S CERTIFICATE

I, PAT PETRILLA, an electronic court reporter,
do hereby certify under penalty of perjury:

That I am a disinterested person herein; that the
foregoing hearing of the California Energy Resources
Conservation and Development Commission was reported by me,
Pat Petrilla, an electronic court reporter, and thereafter
transcribed into typewriting.

I further certify that I am not of counsel or
attorney for any of the parties to said hearing, nor in any
way interested in the outcome of said hearing.

I have hereunto set my hand this 12th day of April
1983.

Pat Petrilla

PAT PETRILLA